

**NEW LIFE MINISTRIES**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITORS' REPORT**  
**DECEMBER 31, 2018**



## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
New Life Ministries  
Lake Forest, California

We have audited the accompanying financial statements of New Life Ministries (the "Ministry") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets (deficit), functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. The prior year's summarized comparative information has been derived from the Ministry's 2017 financial statements, and in our report dated July 17, 2018, we expressed an unmodified opinion on those 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 auditor's 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 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 the Ministry as of December 31, 2018 and 2017, and the changes in its net assets (deficit) and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Saville, Dodgen & Co.*

Saville, Dodgen & Company, P.L.L.C.  
Dallas, Texas

July 25, 2019

NEW LIFE MINISTRIES  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2018,  
*(with summarized financial information as of December 31, 2017)*

	2018	2017
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 317,375	\$ 379,119
Investments	-	2,666
Receivables	29,400	6,043
Prepaid expenses	34,968	43,841
Inventory	139,739	128,892
Total current assets	521,482	560,561
PROPERTY AND EQUIPMENT, net	93,499	105,804
OTHER ASSETS		
Endowment assets	208,846	229,177
Deposits	75,568	29,835
Total other assets	284,414	259,012
TOTAL ASSETS	\$ 899,395	\$ 925,377
<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>		
CURRENT LIABILITIES		
Capital lease obligation, current portion	\$ 14,953	\$ 15,531
Unearned program fees	150,598	115,414
Accounts payable	1,491,202	1,428,424
Accrued expenses	471,393	468,568
Total current liabilities	2,128,146	2,027,937
NONCURRENT LIABILITIES		
Capital lease obligation, net of current portion	17,336	32,288
TOTAL LIABILITIES	2,145,482	2,060,225
NET ASSETS (DEFICIT)		
Without donor restrictions	(1,510,916)	(1,468,327)
With donor restrictions	264,829	333,479
Total net assets (deficit)	(1,246,087)	(1,134,848)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 899,395	\$ 925,377

See accompanying independent auditors' report and notes.

NEW LIFE MINISTRIES  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)  
FOR THE YEAR ENDED DECEMBER 31, 2018,  
*(with summarized financial information for the year ended December 31, 2017)*

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017
<b>REVENUE AND PUBLIC SUPPORT</b>				
Contributions	\$ 5,184,980	\$ 203,369	\$ 5,388,349	\$ 5,098,137
Program fees	2,053,371	-	2,053,371	2,188,647
Product sales	197,324	-	197,324	180,332
Commissions and contracts	42,380	-	42,380	139,496
Investment income	4,155	-	4,155	79
Net assets released from restrictions	272,019	(272,019)	-	-
Total revenue and public support	<u>7,754,229</u>	<u>(68,650)</u>	<u>7,685,579</u>	<u>7,606,691</u>
<b>EXPENSES</b>				
Program services	5,869,255	-	5,869,255	5,799,055
Management and general	912,568	-	912,568	1,043,560
Fundraising	1,014,995	-	1,014,995	878,489
Total expenses	<u>7,796,818</u>	<u>-</u>	<u>7,796,818</u>	<u>7,721,104</u>
CHANGES IN NET ASSETS	(42,589)	(68,650)	(111,239)	(114,413)
NET ASSETS (DEFICIT), beginning of year	<u>(1,468,327)</u>	<u>333,479</u>	<u>(1,134,848)</u>	<u>(1,020,435)</u>
NET ASSETS (DEFICIT), end of year	<u>\$ (1,510,916)</u>	<u>\$ 264,829</u>	<u>\$ (1,246,087)</u>	<u>\$ (1,134,848)</u>

See accompanying independent auditors' report and notes.

NEW LIFE MINISTRIES  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018,  
*(with summarized financial information for the year ended December 31, 2017)*

	<u>Program Services</u>		<u>Supporting Services</u>		2018 Total	2017
	Media Ministries and Resource Center	Workshops and Other Operating Programs	Management and General	Fundraising		
Salaries and benefits						
Salaries	\$ 779,803	\$ 434,030	\$ 294,241	\$ 407,181	\$ 1,915,255	\$ 1,909,952
Other employee benefits	144,002	84,945	58,248	87,223	374,418	364,907
Radio/TV broadcast	2,274,313	-	-	-	2,274,313	2,274,733
Advertising and promotion	-	-	94,578	-	94,578	144,067
Bank fees	-	-	156,061	-	156,061	128,763
Contract services	175,417	34,017	-	19,007	228,441	216,353
Depreciation and amortization	19,346	10,768	7,300	10,102	47,516	49,727
Equipment rental	971	1,890	592	4,835	8,288	6,542
Fees for services	3,163	583,819	42,092	4,000	633,074	647,164
Information technology	127,120	70,754	47,966	66,377	312,217	341,900
Insurance	13,584	-	52,256	-	65,840	71,699
Interest	-	-	10,403	-	10,403	10,288
Equipment repairs and maintenance	1,200	-	1,174	-	2,374	4,365
Occupancy costs						
Maintenance and repairs	-	249	12,743	-	12,992	8,439
Rent	94,375	48,203	55,411	32,250	230,239	232,233
Telephone and utilities	29,412	50,730	14,624	232	94,998	82,581
Office expenses	2,354	7,097	8,820	2,233	20,504	23,976
Other expenses	19,908	9,017	39,400	25,950	94,275	72,205
Postage and shipping	29,093	80,650	3,476	60,503	173,722	161,399
Printing and publications	2,328	19,891	3,173	97,782	123,174	122,510
Product costs and premiums	63,091	83,160	-	50,079	196,330	164,535
Program supplies, facility, and catering	-	481,405	-	120,589	601,994	528,486
Business travel and meals	6,854	82,296	10,010	26,652	125,812	154,280
<b>TOTAL</b>	<u>\$ 3,786,334</u>	<u>\$ 2,082,921</u>	<u>\$ 912,568</u>	<u>\$ 1,014,995</u>	<u>\$ 7,796,818</u>	<u>\$ 7,721,104</u>

See accompanying independent auditors' report and notes.

NEW LIFE MINISTRIES  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018,  
*(with summarized financial information for the year ended December 31, 2017)*

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets (deficit)	\$ (111,239)	\$ (114,413)
Adjustments to reconcile change in net assets (deficit) to net cash provided (used) by operating activities:		
Donated property	(25,170)	(1,279)
Depreciation and amortization	47,515	49,727
Loss on disposal of assets	-	15,558
Reinvestment of interest and dividends	(4,273)	-
Realized and unrealized (gains) losses on marketable securities	8,550	225
Changes in operating account balances:		
Accounts receivable	(23,357)	165,191
Prepaid expenses	8,873	14,185
Inventory	(10,847)	49,270
Deposits	(45,733)	-
Unearned program fees	35,184	(60)
Accounts payable	62,778	71,416
Accrued expenses	2,825	(53,635)
Net cash provided (used) by operating activities	(54,894)	196,185
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	2,666	(2,726)
Purchase of property and equipment	(10,040)	(1,238)
Proceeds from endowment assets	16,054	-
Net cash provided (used) by investing activities	8,680	(3,964)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital lease obligation	(15,530)	(12,290)
Net cash used by financing activities	(15,530)	(12,290)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(61,744)	179,931
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	379,119	199,188
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 317,375	\$ 379,119
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 10,406	\$ 10,288
Noncash investing or financing transactions		
Acquisition of property and equipment through capital lease obligations	\$ -	\$ 40,349

See accompanying independent auditors' report and notes.

NEW LIFE MINISTRIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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1. NATURE OF ORGANIZATION

New Life Ministries (the “Ministry”) was founded March 26, 1993, and is chartered in the state of California. The Ministry was organized to provide low cost resources and counseling based in Christianity to interested persons.

The Ministry sponsors a live, nationally syndicated, interactive talk radio program “New Life Live.” The program deals with mental health, emotional, relational, and spiritual issues from a biblical perspective. The program is broadcasted on approximately 200 stations nationally and is also carried on SiriusXM Satellite Radio. The program can also be heard through podcasts and various social media.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements are presented on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (GAAP). As required by GAAP, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions include those economic resources of the Ministry that are expendable for any purpose in performing the primary objectives of the Ministry.

Net assets with donor restrictions include those assets whose use by the Ministry is limited by donor-imposed stipulations that expire through either the passage of time or actions of the Ministry.

The financial statements include certain prior year summarized comparative information in total, not by net asset classification. This information is not presented in sufficient detail to conform with GAAP. Accordingly, such information should be read in conjunction with the Ministry’s financial statements for the year ended December 31, 2017, from which the summarized information is derived.

Change in Presentation

The presentation of certain amounts reported in previously issued financial statements have been changed to conform to current year presentation.

See accompanying independent auditors’ report.



NEW LIFE MINISTRIES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates.

New Accounting Pronouncements

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under the guidance, Not-for-Profit Entities (“NFP”) are required to present on the face of the statement of financial position and statement of activities and changes in net assets amounts for two classes of net assets at the end of the period, rather than the previously required three classes. That is, an NFP will report amounts for net assets with donor restrictions and net assets without donor restrictions, as well as the previously required amount for total net assets. The amendments also require enhanced disclosures for NFP’s liquidity, expense classification, and endowment funds. The amendments are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. As such, the financial statements reflect the implementation of this update.

Cash and Cash Equivalents

The Ministry considers cash and highly liquid investments with an original maturity date of less than three months to be cash equivalents.

Investments

Investments in equity securities with readily determinable fair values and all debt securities are reported at fair value. Donated investments are recorded at fair value on the date of the gift. Unrealized and realized gains and losses are reported as increases or decreases in net assets within the statement of activities and changes in net assets. Interest and dividend income is also reported in the statement of activities as increases in unrestricted net assets. The Ministry had investments held with a broker, totaling \$2,666 at December 31, 2017. There were no investments held at December 31, 2018.

Concentration of Credit Risk

The Ministry has a concentration of credit risk for cash deposits maintained at certain financial institutions which, at times, are in excess of insured limits set by the Federal Deposit Insurance Corporation or the National Credit Union Administration. The Ministry has not experienced any losses in such accounts and believes that they are not exposed to any significant credit risk related to cash.

See accompanying independent auditors’ report.

NEW LIFE MINISTRIES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Accounts receivable have consisted of a receivable on stock sale proceeds, amounts receivable from donors for ministry events, and receivables due from employees to reimburse the Ministry for expenses incurred, which are recorded at net realizable value. Accounts that are outstanding longer than the payment terms are considered past due. Any amounts that prove to be uncollectible are charged against product sales. Provisions for uncollectible accounts are provided at the time the realization of a specific receivable becomes doubtful. As a result, the accounts receivable balance decreases substantially. No provision was deemed necessary for the years ended December 31, 2018 and 2017.

Material concentrations in accounts receivable include three donors which comprise 48% and stock sale proceeds which comprise 35% of the accounts receivable balance.

Prepaid Expenses

Prepaid expenses primarily consist of amounts paid in advance for insurance, rent, maintenance contracts, and events and conferences that have not taken place as of December 31.

Inventory

Inventory, consisting primarily of books, tapes, and disks, is stated at average cost. The Ministry annually evaluates their inventory for obsolescence. Provision for obsolete inventory is provided at the time the inventory becomes obsolete. The provision for obsolete inventory amounted to \$15,945 for the years ended December 31, 2018 and 2017.

Property and Equipment

Acquisitions of property and equipment, including assets held under capital leases, are capitalized based on analysis of the cost and expected useful life of the asset. Maintenance, repairs, and renewals which do not materially prolong the useful lives of the assets are charged to expense as incurred. Property and equipment are carried at cost or, if donated, at fair value on the date of donation. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, which generally ranges from three to five years for furniture and equipment, two years for software, and three to five years for leasehold improvements.

Donated Property

The Ministry reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Ministry reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

See accompanying independent auditors' report.

NEW LIFE MINISTRIES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits

The Ministry has short-term deposits related to events scheduled to take place in the subsequent year. The Ministry also has long-term deposits with buildings in which they currently have operating leases for office space.

Capital Leases

Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the useful lives of the assets and is included in depreciation and amortization expense.

Revenue and Contributions

The Ministry records contributions at the date received at fair value. The Ministry reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor stipulation expires, that is, when the purpose or time restriction is accomplished, temporarily restricted net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Program fees include revenue from workshops and events, outpatient registration, and group coaching services. Revenue from program fees is recognized at the time the event occurs.

Product sales include the sale of books, workbooks, audio tapes, video tapes, compact disks, kits, and a limited amount of apparel and coffee mugs. Revenue from product sales is recognized at the time the product is shipped.

Commissions and contracts revenue relates to agreements with other entities. Revenue from commissions and contracts is recognized when earned.

Unearned Program Fees

The Ministry records payments made in advance by attendees to its workshops and seminars as unearned program fees. These amounts are recognized as revenue when the event takes place.

Federal Income Taxes

The Ministry is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in these financial statements.

See accompanying independent auditors' report.

NEW LIFE MINISTRIES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Plan

Employees of the Ministry participate in a defined contribution plan which is qualified under Section 401(k) of the Internal Revenue Code. The Ministry's contribution to the plan is discretionary. Total matching contributions for the years ended December 31, 2018 and 2017 amounted to \$18,045 and \$17,235, respectively.

Fair Value of Financial Assets and Liabilities

The Ministry measures and discloses certain financial assets and liabilities at fair value. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

*Level 1* - Quoted prices in active markets for identical assets or liabilities.

*Level 2* - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of assets and liabilities within the fair value hierarchy. Because of the long-term nature of certain assets and liabilities measured at fair value as well as differences in the availability of market prices and market liquidity over their terms, inputs for some assets and liabilities may fall into any one of the three levels in the fair value hierarchy. GAAP requires these assets and liabilities to be classified in the lowest level in the hierarchy for which inputs are significant to the fair value measurement; a portion of that measurement may be determined using inputs from a higher level in the hierarchy.

The availability of valuation techniques and observable inputs can vary from investment to investment and is affected by a wide array of factors. In certain cases, the inputs used to measure fair value may fall into different levels of the hierarchy. For disclosure purposes, the level in the hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement. The estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

See accompanying independent auditors' report.

NEW LIFE MINISTRIES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Assets and Liabilities (Continued)

To the extent that a specific valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. As such, the degree of judgment exercised by the Ministry in determining fair value is greatest for investments in Level 3.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

- *Cash and money market funds.* Cash equivalent holdings valued at cost, which approximates fair value.
- *Fixed income securities.* Valued at the daily closing price as reported with the U.S. Securities and Exchange Commission. These fixed income securities are required to publish their daily net asset value to transact at that price. The fixed income securities held by the Ministry are deemed to be actively traded.

Allocation of Functional Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation and amortization and occupancy, which are allocated on a square footage basis. Other expenses, such as marketing fees and materials, are allocated based on the estimated usage.

3. INVESTMENTS

Investments of the Ministry are stated at fair value. The following describes the components of the Ministry's investments at December 31:

	2018	2017
Cash and money market funds	\$ -	\$ 1,509
Fixed income securities	-	1,157
	\$ -	\$ 2,666

See accompanying independent auditors' report.

NEW LIFE MINISTRIES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. FAIR VALUE MEASUREMENTS

The following is a summary of the categorization within the fair value hierarchy of the Ministry's financial assets and liabilities measured at fair value:

Fair Value Measurements at December 31, 2017 Using:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash equivalents	\$ 1,509	\$ -	\$ -	\$ 1,509
Fixed income securities	-	1,157	-	1,157
Investments at fair value	<u>\$ 1,509</u>	<u>\$ 1,157</u>	<u>\$ -</u>	<u>\$ 2,666</u>

There were no investments meeting disclosure requirements for the period ended December 31, 2018.

The Ministry has no financial instruments which were categorized using Level 3 inputs as of December 31, 2018 and 2017.

The Ministry recognizes transfer between levels in the fair value hierarchy as of the end of the reporting period. There were no transfers between levels for the years ended December 31, 2018 and 2017.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2018	2017
Furniture, fixtures, and equipment	\$ 382,501	\$ 347,598
Software	274,966	274,966
Leasehold improvements	78,613	78,613
Property and equipment, at cost	<u>736,080</u>	<u>701,177</u>
Less: accumulated depreciation and amortization	(642,581)	(595,373)
Property and equipment, net	<u>\$ 93,499</u>	<u>\$ 105,804</u>

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 amounted to \$47,515 and \$49,727, respectively.

See accompanying independent auditors' report.

NEW LIFE MINISTRIES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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6. ENDOWMENTS

The Ministry's endowment assets consist of funds established for any of the Ministry's charitable purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has determined that it would be desirable for the Ministry to preserve, on a long-term basis, the original value of a contribution of a donor-restricted endowment fund as of the gift date, subject to any express language in the applicable endowment agreement indicating otherwise and pursuant to the Uniform Prudent Management of Institutional Funds Act (UPMIFA or "Act"). Notwithstanding the foregoing, this determination is not intended to, and shall not, affect the Ministry's authority under the Act to spend amounts from an endowment fund on a short-term basis, even if the market value of the endowment fund is below the original value of the contributions by the donors. As a result of this determination, the Ministry classifies as net assets with donor restrictions (a) the original value of gifts contributed to a donor-restricted endowment fund and (b) the original value of subsequent gifts to a donor-restricted endowment fund.

Investment income and appreciation related to the donor-restricted endowment funds are classified as net assets with donor-restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by the Act. Most of those net assets are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. In accordance with UPMIFA, the Ministry considers the following factors in making a determination to appropriate or accumulate endowment funds:

1. The duration and preservation of the endowment assets
2. The purposes of the Ministry and the donor-restricted endowments
3. General economic conditions
4. The possible effects of inflation and deflation
5. Other resources of the Ministry
6. The investment policies of the Ministry

NEW LIFE MINISTRIES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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6. ENDOWMENTS (Continued)

A summary of the Ministry's endowment assets by net asset class is as follows:

December 31, 2018

Endowment Fund Type	Without Donor Restrictions	With Donor Restrictions	Total
General endowment	\$ -	\$ 208,846	\$ 208,846
Total endowment assets	\$ -	\$ 208,846	\$ 208,846

December 31, 2017

Endowment Fund Type	Without Donor Restrictions	With Donor Restrictions	Total
General endowment	\$ -	\$ 229,177	\$ 229,177
Total endowment assets	\$ -	\$ 229,177	\$ 229,177

See accompanying independent auditors' report.



NEW LIFE MINISTRIES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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6. ENDOWMENTS (Continued)

Changes in endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

	December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2018	\$ -	\$ 229,177	\$ 229,177
Investment return:			
Investment income (loss)	-	(2,314)	(2,314)
Total investment return	-	226,863	226,863
Contributions	-	-	-
Expenditure of endowment assets	-	(18,017)	(18,017)
Endowment net assets, December 31, 2018	\$ -	\$ 208,846	\$ 208,846

	December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2017	\$ -	\$ 229,342	\$ 229,342
Investment return:			
Investment income (loss)	-	(165)	(165)
Total investment return	-	229,177	229,177
Contributions	-	-	-
Expenditure of endowment assets	-	-	-
Endowment net assets, December 31, 2017	\$ -	\$ 229,177	\$ 229,177

See accompanying independent auditors' report.

NEW LIFE MINISTRIES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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6. ENDOWMENTS (Continued)

Return Objectives and Risk Parameters

The Ministry has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, endowment assets are invested in a manner that, over a long-term investment horizon, is intended to produce results that at a minimum equal inflation, administrative costs, and management fees, while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy long-term return objectives, the Ministry relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Ministry targets a diversified asset allocation that places emphasis on investments in growth, income, and inflation protection assets to achieve its long-term return objectives within prudent risk constraints.

Erosion of Corpus, Spending Policy, and How the Investment Objectives Relate to Spending Policy

The bequest allowed for a 7% annual distribution to support the Ministry and its programs. The Ministry has a policy of appropriating its annual distributions for charitable purposes, and general Ministry operating costs. In monitoring this policy, the Ministry considers the long-term expected return on its endowments. Although the Ministry has adopted investment and spending policies, the investment returns may not be equal to the amount of the 7% annual distribution. In accordance with the donor-restricted endowment, the amounts of annual distributions could erode the original corpus of the endowment.

NEW LIFE MINISTRIES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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7. NET ASSETS

At December 31, 2018 and 2017, net assets consisted of restricted contributions to be used for the following purposes:

	2018	2017
Net assets without donor restrictions:	<u>\$ (1,510,915)</u>	<u>\$ (1,468,327)</u>
Total net assets without donor restrictions	<u>(1,510,915)</u>	<u>(1,468,327)</u>
Net assets with donor restrictions:		
Endowment asset *	208,846	229,177
Scholarship funds	31,992	65,199
Radio airtime support WPMH	2,000	-
Prison resources	509	-
HVAC system	8,873	-
Brothers in the battle promotional materials	2,000	-
Restore underwriting of a workshop	10,000	
EMB bible/coaching resources	-	2,479
SV coaching curriculum	609	4,840
Restore-workbooks/notebooks for attendees	-	148
Furniture for office	-	600
Marketing and materials	-	13,036
Interlude - fall 2018 marriage event	-	18,000
Total net assets with donor restrictions	<u>264,829</u>	<u>333,479</u>
Total net assets	<u>\$ (1,246,086)</u>	<u>\$ (1,134,848)</u>

\*expendable annually at 7% to support the Ministry and its programs.

See accompanying independent auditors' report.

NEW LIFE MINISTRIES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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8. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Ministry's financial assets as of the statements of financial position sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position sheet date.

	2018	2017
Financial assets, at year-end	\$ 361,394	\$ 403,932
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with time or purpose restrictions	(55,983)	(104,302)
Cash payments required for capital lease obligations	(21,919)	(24,889)
Financial assets available to meet cash needs for general expenditures within one year	\$ 283,492	\$ 274,741

The financial assets at year-end include cash and cash equivalents, investments, receivables, and the 7% annual endowment distribution. The Ministry is substantially supported by highly liquid cash contributions that are without restriction. As such, the Ministry has historically been able to cover any general expenditures with the financial assets on hand.

9. LEASE COMMITMENTS

Operating Leases

The Ministry leases its facilities under non-cancelable operating leases. At December 31, 2018, maturity dates for leasing arrangements ranged from January 2019 to April 2021. During December 31, 2018 and 2017, monthly payment amounts ranged from \$425 to \$7,120. Lease expense for the years ended December 31, 2018 and 2017 amounted to \$236,587 and \$232,233, respectively.

The following is a schedule by years of future minimum rental payments as of December 31, 2018:

For the years ending December 31,	Amounts
2019	\$ 234,718
2020	222,911
2021	51,793
Total	\$ 509,422

See accompanying independent auditors' report.

NEW LIFE MINISTRIES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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9. LEASE COMMITMENTS (Continued)

Capital Leases

The Ministry leases office equipment under capital lease agreements with maturity dates through September 2019. Monthly payment amounts range from \$43 to \$1,369. The capital leases and accumulated amortization are as follows at December 31:

	2018	2017
Capital lease equipment, at cost	\$ 69,596	\$ 69,596
Less: accumulated amortization	(43,132)	(25,734)
Capital lease equipment, net	\$ 26,464	\$ 43,862

The future minimum lease payments required under these capital leases as of December 31, 2018 are as follows:

	Years ending December 31,	Amounts
	2019	\$ 21,919
	2020	16,938
	2021	4,106
Total minimum lease payments		42,963
Less: Amount representing interest		(10,674)
Present value of net minimum lease payments		32,289
Less: Capital lease obligation, current portion		(14,953)
Capital lease obligation, net of current portion		\$ 17,336

10. SIGNIFICANT RISKS, UNCERTAINTIES, CONTINGENCIES, AND CONCENTRATIONS

The Ministry is highly dependent on contributions and donations. Therefore, the Ministry's programs and activities are affected by the level of donations and related factors, including general economic conditions. Based on these factors, the Ministry may experience substantial period-to-period fluctuations.

The Ministry can be subject to various claims and matters that arise in the ordinary course of its activities. No existing matters are expected to have any material or adverse effect on the Ministry's financial condition as of December 31, 2018.

See accompanying independent auditors' report.

NEW LIFE MINISTRIES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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11. RELATED PARTY TRANSACTIONS

The Ministry had receivables from employees that amounted to \$1,786 and \$4,432 of total accounts receivable at December 31, 2018 and 2017, respectively.

12. SUBSEQUENT EVENTS

The Ministry evaluated events that occurred from January 1, 2019 to July 25, 2019, which is the date these financial statements were available to be issued. There was no significant subsequent event that required recognition or additional disclosure in these financial statements.