

**NEW LIFE MINISTRIES
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2019**





INDEPENDENT AUDITORS' REPORT

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 statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets (deficit), functional expenses, and cash flows for the year 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 audit. 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 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, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Ministry's 2018 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated July 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



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

July 28, 2020

NEW LIFE MINISTRIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019,
(with summarized financial information as of December 31, 2018)

	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 320,716	\$ 317,375
Receivables	11,460	29,400
Prepaid expenses	35,159	34,968
Inventory	109,816	139,739
Total current assets	477,151	521,482
PROPERTY AND EQUIPMENT, net	73,186	93,499
OTHER ASSETS		
Long term investments	209,824	208,846
Deposits	51,295	75,568
Total other assets	261,119	284,414
TOTAL ASSETS	\$ 811,456	\$ 899,395
<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>		
CURRENT LIABILITIES		
Capital lease obligation, current portion	\$ 20,523	\$ 14,953
Unearned program fees	116,908	150,598
Accounts payable	1,384,780	1,491,202
Accrued expenses	485,725	471,393
Total current liabilities	2,007,936	2,128,146
NONCURRENT LIABILITIES		
Capital lease obligation, net of current portion	23,278	17,336
TOTAL LIABILITIES	2,031,214	2,145,482
NET ASSETS (DEFICIT)		
Without donor restrictions	(1,476,311)	(1,510,916)
With donor restrictions	256,553	264,829
Total net assets (deficit)	(1,219,758)	(1,246,087)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 811,456	\$ 899,395

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, 2019,
(with summarized financial information for the year ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018
REVENUE AND PUBLIC SUPPORT				
Contributions	\$ 5,277,026	\$ 196,052	\$ 5,473,078	\$ 5,388,349
Program fees	2,286,713	-	2,286,713	2,053,371
Product sales	175,632	-	175,632	197,324
Commissions and contracts	13,380	-	13,380	42,380
Investment income	-	17,878	17,878	4,155
Net assets released from restrictions	222,206	(222,206)	-	-
Total revenue and public support	<u>7,974,957</u>	<u>(8,276)</u>	<u>7,966,681</u>	<u>7,685,579</u>
EXPENSES				
Program services	5,912,086	-	5,912,086	5,869,255
Management and general	992,131	-	992,131	912,568
Fundraising	1,036,135	-	1,036,135	1,014,995
Total expenses	<u>7,940,352</u>	<u>-</u>	<u>7,940,352</u>	<u>7,796,818</u>
CHANGES IN NET ASSETS	34,605	(8,276)	26,329	(111,239)
NET ASSETS (DEFICIT), beginning of year	<u>(1,510,916)</u>	<u>264,829</u>	<u>(1,246,087)</u>	<u>(1,134,848)</u>
NET ASSETS (DEFICIT), end of year	<u>\$ (1,476,311)</u>	<u>\$ 256,553</u>	<u>\$ (1,219,758)</u>	<u>\$ (1,246,087)</u>

See accompanying independent auditors' report and notes.

NEW LIFE MINISTRIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019,
(with summarized financial information for the year ended December 31, 2018)

	<u>Program Services</u>		<u>Supporting Services</u>		2019 Total	2018
	Media Ministries and Resource Center	Workshops and Other Operating Programs	Management and General	Fundraising		
Salaries and benefits						
Salaries	\$ 849,311	\$ 424,520	\$ 319,281	\$ 408,449	\$ 2,001,561	\$ 1,915,255
Other employee benefits	155,652	78,687	65,576	87,849	387,764	374,418
Radio/TV broadcast	2,284,932	-	-	1,400	2,286,332	2,274,313
Advertising and promotion	-	-	112,384	-	112,384	94,578
Bank fees	-	-	177,350	-	177,350	156,061
Business insurance	13,669	247	53,415	-	67,331	65,840
Business travel and meals	5,384	99,560	8,583	27,688	141,215	125,812
Contract services	57,662	41,926	1,468	13,484	114,540	228,441
Depreciation and amortization	19,332	9,663	7,267	9,297	45,559	47,516
Equipment rental	5,645	3,033	653	9,560	18,891	8,288
Information technology	178,279	59,426	59,426	59,426	356,557	312,217
Interest	-	-	8,517	-	8,517	10,403
Equipment repairs and maintenance	1,050	547	587	-	2,184	2,374
Occupancy costs						
Maintenance and repairs	-	226	10,584	-	10,810	12,992
Rent	102,988	37,329	80,377	19,654	240,348	230,239
Telephone and utilities	12,364	51,625	2,518	35	66,542	94,998
Office expenses	6,080	7,880	11,176	2,705	27,841	20,504
Other expenses	14,856	15,130	27,557	38,791	96,334	94,275
Postage and shipping	26,677	77,419	3,293	63,592	170,981	173,722
Printing and publications	2,092	18,230	2,954	91,410	114,686	123,174
Product costs and premiums	64,814	77,813	-	52,922	195,549	196,330
Professional fees for services	3,000	606,882	39,165	15,000	664,047	633,074
Program supplies, facility, and catering	-	498,156	-	134,873	633,029	601,994
TOTAL	<u>\$ 3,803,787</u>	<u>\$ 2,108,299</u>	<u>\$ 992,131</u>	<u>\$ 1,036,135</u>	<u>\$ 7,940,352</u>	<u>\$ 7,796,818</u>

See accompanying independent auditors' report and notes.

NEW LIFE MINISTRIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019,
(with summarized financial information for the year ended December 31, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets (deficit)	\$ 26,329	\$ (111,239)
Adjustments to reconcile change in net assets (deficit) to net cash provided (used) by operating activities:		
Donated property	(500)	(25,170)
Depreciation and amortization	45,559	47,515
Loss on disposal of assets	(1,900)	-
Reinvestment of interest and dividends	-	(4,273)
Realized and unrealized (gains) losses on marketable securities	-	2,639
Changes in operating account balances:		
Accounts receivable	17,940	(23,357)
Prepaid expenses	(191)	8,873
Inventory	29,923	(10,847)
Deposits	24,273	(45,733)
Unearned program fees	(33,690)	35,184
Accounts payable	(106,422)	62,778
Accrued expenses	14,332	2,825
Net cash provided (used) by operating activities	15,653	(60,805)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(24,279)	(10,040)
Proceeds from disposal of assets	31,592	-
Purchase of long term investments	(158,190)	(13,125)
Proceeds from long term investments	157,212	37,756
Net cash provided by investing activities	6,335	14,591
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	(18,647)	(15,530)
Net cash used by financing activities	(18,647)	(15,530)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,341	(61,744)
CASH AND CASH EQUIVALENTS, beginning of year	317,375	379,119
CASH AND CASH EQUIVALENTS, end of year	\$ 320,716	\$ 317,375
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 8,520	\$ 10,406
Noncash investing or financing transactions		
Acquisition of property and equipment through capital lease obligations	\$ 30,159	\$ -

See accompanying independent auditors' report and notes.

NEW LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2018, from which the summarized information is derived.

See accompanying independent auditors’ report.

NEW LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

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.

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.

NEW LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2019 and 2018.

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, 2019 and 2018.

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, 2019 and 2018.

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)

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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)

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, 2019 and 2018 amounted to \$19,648 and \$18,045, 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)

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, 2019 and 2018.

- *Cash and money market funds.* Cash equivalent holdings valued at cost, which approximates fair value.
- *Mutual funds of registered investment companies.* Valued at the daily closing price as reported by the fund. Mutual funds held by the Ministry are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value to transact at that price. The mutual funds held by the Ministry are deemed to be actively traded.
- *Exchange-traded funds.* Funds that invest in a variety of assets traded on an active market. These funds are valued at the daily closing price reported on the public stock exchange.

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.

NEW LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. INVESTMENTS

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

	2019	2018
Cash and money market funds	\$ 11,231	\$ 17,357
Mutual funds	135,479	136,608
Exchange traded funds	63,114	54,881
	\$ 209,824	\$ 208,846

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:

Description	Fair Value Measurements at December 31, 2019 Using:			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash and money market funds	\$ 11,231	\$ -	\$ -	\$ 11,231
Mutual funds	135,479	-	-	135,479
Exchange traded funds	63,114	-	-	63,114
Investments at fair value	\$ 209,824	\$ -	\$ -	\$ 209,824

See accompanying independent auditors' report.

NEW LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. FAIR VALUE MEASUREMENTS (Continued)

Description	Fair Value Measurements at December 31, 2018 Using:			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash and money market funds	\$ 17,357	\$ -	\$ -	\$ 17,357
Mutual funds	136,608	-	-	136,608
Exchange traded funds	54,881	-	-	54,881
Investments at fair value	\$ 208,846	\$ -	\$ -	\$ 208,846

The Ministry has no financial instruments which were categorized using Level 3 inputs as of December 31, 2019 and 2018.

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, 2019 and 2018.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2019	2018
Furniture, fixtures, and equipment	\$ 331,076	\$ 382,501
Software	274,966	274,966
Leasehold improvements	78,613	78,613
Property and equipment, at cost	684,655	736,080
Less: accumulated depreciation and amortization	(611,469)	(642,581)
Property and equipment, net	\$ 73,186	\$ 93,499

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 amounted to \$45,559 and \$47,515, respectively.

See accompanying independent auditors' report.

NEW LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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)

6. ENDOWMENTS (Continued)

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

Endowment Fund Type	December 31, 2019		Total
	Without Donor Restrictions	With Donor Restrictions	
General endowment	\$ -	\$ 209,824	\$ 209,824
Total endowment assets	\$ -	\$ 209,824	\$ 209,824
	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

See accompanying independent auditors' report.

NEW LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. ENDOWMENTS (Continued)

Changes in endowment net assets for the years ended December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2019	\$ -	\$ 208,846	\$ 208,846
Investment return:			
Investment income (loss)	-	17,878	17,878
Total investment return	-	226,724	226,724
Contributions	-	-	-
Expenditure of endowment assets	-	(16,900)	(16,900)
Endowment net assets, December 31, 2019	<u>\$ -</u>	<u>\$ 209,824</u>	<u>\$ 209,824</u>
	<u>December 31, 2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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	<u>\$ -</u>	<u>\$ 208,846</u>	<u>\$ 208,846</u>

See accompanying independent auditors' report.

NEW LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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)

7. NET ASSETS

At December 31, 2019 and 2018, net assets consisted of restricted contributions to be used for the following purposes:

	2019	2018
Net assets without donor restrictions:	<u>\$ (1,476,311)</u>	<u>\$ (1,510,915)</u>
Total net assets without donor restrictions	<u>(1,476,311)</u>	<u>(1,510,915)</u>
Net assets with donor restrictions:		
Collected funds:		
Scholarship funds	39,741	31,992
Radio airtime support WPMH	2,250	2,000
Prison resources	948	509
HVAC system	-	8,873
Brothers in the battle promotional materials	-	2,000
Restore underwriting of a workshop	-	10,000
Computer and IT needs	3,790	-
SV coaching curriculum	-	608
Endowment funds:		
General endowment*	<u>209,824</u>	<u>208,846</u>
Total net assets with donor restrictions	<u>256,553</u>	<u>264,828</u>
Total net assets	<u>\$ (1,219,758)</u>	<u>\$ (1,246,087)</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)

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.

	2019	2018
Financial assets, at year-end	\$ 542,000	\$ 555,621
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with time or purpose restrictions	(256,553)	(264,829)
Cash payments required for capital lease obligations	(20,523)	(14,953)
Financial assets available to meet cash needs for general expenditures within one year	\$ 264,924	\$ 275,839

The financial assets at year-end include cash and cash equivalents, investments, and receivables. 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, 2019, maturity dates for leasing arrangements ranged from September 2019 to September 2023. During December 31, 2019 and 2018, monthly payment amounts ranged from \$454 to \$7,199, respectively. Lease expense for the years ended December 31, 2019 and 2018 amounted to \$245,659 and \$236,587, respectively.

The following is a schedule by years of future minimum rental payments as of December 31, 2019:

For the years ending December 31,	Amounts
2020	\$ 251,111
2021	79,993
2022	28,200
2023	21,150
Total	\$ 380,454

See accompanying independent auditors' report.

NEW LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. LEASE COMMITMENTS (Continued)

Capital Leases

The Ministry leases office equipment under capital lease agreements with maturity dates through June 2023. Monthly payment amounts range from \$43 to \$1,369. The capital leases and accumulated amortization are as follows at December 31:

	<u>2019</u>	<u>2018</u>
Capital lease equipment, at cost	\$ 70,508	\$ 69,596
Less: accumulated amortization	<u>(32,683)</u>	<u>(43,132)</u>
Capital lease equipment, net	<u>\$ 37,825</u>	<u>\$ 26,464</u>

The future minimum lease payments required under these capital leases as of December 31, 2019 are as follows:

	<u>Years ending December 31,</u>	<u>Amounts</u>
	2020	\$ 25,609
	2021	12,777
	2022	8,671
	2023	<u>4,003</u>
Total minimum lease payments		51,060
Less: Amount representing interest		<u>(7,259)</u>
Present value of net minimum lease payments		43,801
Less: Capital lease obligation, current portion		<u>(20,523)</u>
Capital lease obligation, net of current portion		<u>\$ 23,278</u>

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, 2019.

See accompanying independent auditors' report.

NEW LIFE MINISTRIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. SUBSEQUENT EVENTS

We evaluated events that occurred after the balance sheet date through July 28, 2020, which is the date these financial statements were available to be issued, and no subsequent events meeting disclosure criteria were identified, except as noted below.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The spread of COVID-19 has caused significant volatility in United States and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the United States and international economies and, as such, the Ministry is unable to determine if it will have a material impact to its operations. As a result of the ongoing pandemic, the Ministry applied for a loan under the Paycheck Protection Program and received \$441,739 in funds that are fully backed by the federal government. This loan has no origination costs and is expected to be fully forgiven when used for payroll costs, interest on mortgages, rent, and utilities within 24 weeks of receipt.

In May of 2020, the Ministry received a single donation and had a large amount of the accounts payable to its largest radio vendor forgiven. The total donation income for these items totaled approximately \$1 million.