

# **Pure Life Ministries**

**Financial Statements  
December 31, 2019 and 2018 and  
Independent Auditors' Report**

**PURE LIFE MINISTRIES**  
**December 31, 2019 and 2018**

**Contents**

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## **Independent Auditors' Report**

The Board of Trustees  
Pure Life Ministries

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Pure Life Ministries (Organization) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

### **Auditor's 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 Organization'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.

### **Basis for Qualified Opinion**

Limited accounting records are maintained for past purchases of property and equipment. We were unable to obtain sufficient appropriate audit evidence about the balance of property and equipment as of December 31, 2019 and 2018, because there are limited accounting records. Consequently, we were unable to determine whether any adjustments to those amounts were necessary.

**BARNES DENNIG**

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**Independent Auditors' Report  
(Continued)**

**Qualified Opinion**

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Pure Life Ministries as of December 31, 2019 and 2018, 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.

*Barnes, Dennig & Co., Ltd.*

August 24, 2020  
Crestview Hills, Kentucky

## PURE LIFE MINISTRIES

### Statements of Financial Position December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 232,754	\$ 198,043
Accounts receivable, net	11,100	7,956
Pledges receivable, net	16,710	18,460
Inventory	95,347	65,704
Property and equipment, net	<u>2,008,321</u>	<u>2,080,924</u>
Total assets	<u>\$ 2,364,232</u>	<u>\$ 2,371,087</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	24,461	33,347
Accrued expenses	31,713	28,786
Deferred counseling fees income and deposits	<u>38,138</u>	<u>26,155</u>
Total liabilities	<u>94,312</u>	<u>88,288</u>
<b>Net Assets</b>		
Without donor restrictions	2,246,466	2,248,227
With donor restrictions	<u>23,454</u>	<u>34,572</u>
Total net assets	<u>2,269,920</u>	<u>2,282,799</u>
	<u>\$ 2,364,232</u>	<u>\$ 2,371,087</u>

See accompanying notes to financial statements

**PURE LIFE MINISTRIES**  
**Statement of Activities**  
**Year Ended December 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues and support</b>			
Counseling fees	\$ 1,010,287	\$ -	1,010,287
Donations	696,121	6,745	702,866
Teaching resources	180,040	-	180,040
Honorarium	300	-	300
Conference	33,009	-	33,009
Housing reimbursements	82,000	-	82,000
Net assets released from restriction	17,863	(17,863)	-
	<u>2,019,620</u>	<u>(11,118)</u>	<u>2,008,502</u>
Total revenues and support			
<b>Expenses</b>			
Program services	1,784,612	-	1,784,612
Management and general	116,859	-	116,859
Fundraising	121,323	-	121,323
	<u>2,022,794</u>	<u>-</u>	<u>2,022,794</u>
Total expenses			
<b>Change in net assets from operations</b>	<u>(3,174)</u>	<u>(11,118)</u>	<u>(14,292)</u>
<b>Non-operating income (loss)</b>			
Loss on sale of property and equipment	(1,225)	-	(1,225)
Other income	2,638	-	2,638
	<u>1,413</u>	<u>-</u>	<u>1,413</u>
Total non-operating income (loss)			
<b>Change in net assets</b>	(1,761)	(11,118)	(12,879)
<b>Net assets, beginning of year</b>	<u>2,248,227</u>	<u>34,572</u>	<u>2,282,799</u>
<b>Net assets, end of year</b>	<u>\$ 2,246,466</u>	<u>\$ 23,454</u>	<u>\$ 2,269,920</u>

See accompanying notes to financial statements

**PURE LIFE MINISTRIES**  
**Statement of Activities**  
**Year Ended December 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues and support</b>			
Counseling fees	\$ 920,379	\$ -	\$ 920,379
Donations	640,787	15,112	655,899
Teaching resources	179,372	-	179,372
Honorarium	2,000	-	2,000
Conference	35,211	-	35,211
Housing reimbursements	64,500	-	64,500
Net assets released from restriction	47,552	(47,552)	-
	<u>1,889,801</u>	<u>(32,440)</u>	<u>1,857,361</u>
<b>Expenses</b>			
Program services	1,712,480	-	1,712,480
Management and general	117,009	-	117,009
Fundraising	106,849	-	106,849
	<u>1,936,338</u>	<u>-</u>	<u>1,936,338</u>
<b>Change in net assets from operations</b>	<u>(46,537)</u>	<u>(32,440)</u>	<u>(78,977)</u>
<b>Non-operating income</b>			
Gain (loss) on sale of property and equipment	300	-	300
Other income	2,901	-	2,901
	<u>3,201</u>	<u>-</u>	<u>3,201</u>
<b>Change in net assets</b>	(43,336)	(32,440)	(75,776)
<b>Net assets, beginning of year</b>	<u>2,291,563</u>	<u>67,012</u>	<u>2,358,575</u>
<b>Net assets, end of year</b>	<u>\$ 2,248,227</u>	<u>\$ 34,572</u>	<u>\$ 2,282,799</u>

See accompanying notes to financial statements

## PURE LIFE MINISTRIES

### Statements of Functional Expenses Years Ended December 31, 2019 and 2018

	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 670,184	\$ 34,148	\$ 28,482	\$ 732,814	\$ 631,018	\$ 30,727	\$ 26,202	\$ 687,947
Employee benefits	127,490	9,082	6,120	142,692	117,649	7,992	1,848	127,489
Payroll taxes	50,650	2,696	2,138	55,484	47,677	2,276	1,997	51,950
Total salaries and related expenses	848,324	45,926	36,740	930,990	796,344	40,995	30,047	867,386
Advertising	74,445	-	-	74,445	57,806	12,960	-	70,766
Bank charges	21,270	1,403	10,059	32,732	19,421	1,427	8,407	29,255
Computer	41,012	3,388	8,328	52,728	38,361	3,685	8,286	50,332
Conferences and conventions	24,879	-	24,434	49,313	32,679	-	26,082	58,761
Contractor services	83,564	-	-	83,564	97,282	750	-	98,032
Cost of goods sold	99,257	-	-	99,257	87,126	-	-	87,126
Depreciation	155,556	14,944	-	170,500	119,360	7,935	-	127,295
Groceries	27,597	-	-	27,597	26,655	-	-	26,655
In-kind expenses	65,758	-	-	65,758	117,011	-	-	117,011
Insurance	39,035	3,822	-	42,857	33,139	3,436	-	36,575
Miscellaneous	14,797	1,700	1,548	18,045	2,193	1,999	6,563	10,755
Occupancy	156,874	7,092	-	163,966	159,597	6,492	-	166,089
Office printing	9,484	2,474	18,914	30,872	5,058	2,391	14,014	21,463
Office supplies	3,751	2,394	-	6,145	3,536	2,418	-	5,954
Postage and shipping	20,983	120	7,988	29,091	23,195	116	5,901	29,212
Professional fees	-	18,353	12,999	31,352	2,945	19,295	7,350	29,590
Telephone	51,922	9,245	-	61,167	53,471	9,070	-	62,541
Tithe	10,860	-	-	10,860	11,679	-	-	11,679
Travel	23,785	5,998	313	30,096	13,291	4,040	199	17,530
Vehicle expenses	11,459	-	-	11,459	12,331	-	-	12,331
Total expenses	<u>\$ 1,784,612</u>	<u>\$ 116,859</u>	<u>\$ 121,323</u>	<u>\$ 2,022,794</u>	<u>\$ 1,712,480</u>	<u>\$ 117,009</u>	<u>\$ 106,849</u>	<u>\$ 1,936,338</u>

See accompanying notes to financial statements



**PURE LIFE MINISTRIES**

**Statements of Cash Flows  
Years Ended December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (12,879)	\$ (75,776)
Adjustments to reconcile change in net assets to net cash from operating activities:		
(Gain) loss on sale of property and equipment	1,225	(300)
Depreciation	170,500	127,295
Bad debt expense	3,934	(2,191)
Changes in:		
Accounts receivable, net	(7,078)	16,772
Pledges receivable, net	1,750	7,052
Inventory	(29,643)	4,604
Accounts payable	(8,886)	(5,721)
Deferred counseling fees income and deposits	11,983	2,242
Accrued expenses	2,927	4,107
Net cash provided by operating activities	133,833	78,084
<b>Cash flows from investing activities</b>		
Proceeds from sale of property and equipment	1,300	300
Purchase of property and equipment	(100,422)	(272,756)
Net cash used in investing activities	(99,122)	(272,456)
<b>Net change in cash and cash equivalents</b>	34,711	(194,372)
<b>Cash and cash equivalents, beginning of year</b>	198,043	392,415
<b>Cash and cash equivalents, end of year</b>	\$ 232,754	\$ 198,043

See accompanying notes to financial statements

## PURE LIFE MINISTRIES

### Notes to Financial Statements (Continued)

#### NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### ***Organization***

Pure Life Ministries (the Ministry) exists to serve Christian individuals and organizations dealing with sexual sin throughout the world by providing biblically based counseling, teaching resources and a public speaking ministry with the goal of leading Christians to victory over sexual sin through a deeper life with God. The Ministry is supported primarily through counseling fees and donations.

##### ***Financial Statement Presentation***

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Ministry is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

##### ***Cash and Cash Equivalents***

The Ministry considers all liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2019 and 2018. The Organization maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

##### ***Accounts and Pledges Receivable and Allowance for Doubtful Accounts***

Accounts and pledges receivable are due from individuals and other third-party payers. Accounts and pledges receivable are recorded at the amounts expected to be collected or net realizable value. In evaluating the collectability of accounts and pledges receivable, the Organization considers a number of factors, including the age of the accounts, changes in collection patterns, the composition of accounts by payor type, and general industry conditions. An allowance for doubtful accounts is recorded based upon a consideration of the likelihood that accounts or pledges will not be collected in full. No valuation allowance is deemed necessary at December 31, 2019 and 2018.

##### ***Inventory***

Inventory is stated at the lower of cost or market. Cost is determined by the average cost method. Inventory consists of books written and produced by Pure Life Ministries and related merchandise. The inventory is held at the Ministry's offices and at a national distribution company. The value of the inventory at December 31, 2019 and 2018 was \$95,347 and \$65,704 respectively.

## PURE LIFE MINISTRIES

### Notes to Financial Statements (Continued)

#### NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### ***Property and Equipment***

Land, building, and equipment are stated at cost. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. The Ministry capitalizes all assets greater than \$1,000.

In accordance with GAAP, the Ministry assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions. Based on its most recent analysis, the Ministry believes no impairments existed at December 31, 2019 and 2018.

##### ***Deferred Counseling Fees Income and Deposits***

Deferred counseling fees income and deposits consists of program fees received in advance of services provided.

##### ***Contributions***

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. 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 statement of activities as net assets released from donor restrictions. Contributions and investment income with restrictions whose restrictions are met in the same period as received are reported as support without donor restrictions.

##### ***Income Taxes***

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of Kentucky law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization's IRS Form 990 is subject to review and examination by federal and state authorities. The Organization believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

##### ***Advertising***

Advertising costs are expensed as incurred. Advertising expenses totaled \$74,445 and \$70,766 for the years ended December 31, 2019 and 2018, respectively.

## PURE LIFE MINISTRIES

### Notes to Financial Statements (Continued)

#### NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fundraising categories based upon estimates of the time spent by the Ministry's personnel. Any expenses related to building occupancy were allocated based on utilization of square footage by various departments. All employee expenses were allocated based on an evaluation of each employee's daily duties and/or job description.

##### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### ***Effect of Adopting New Accounting Standard***

During 2019, the Ministry adopted Financial Accounting Services Board ("FASB") Accounting Standards Update ("ASU") ASU 2018-08, *Not-for-Profit Entities* (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The standard clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard clarifies how an entity determines whether a resource provider is receiving commensurate value in return for the resources transferred. The standard also requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The adoption of this ASU did not have a significant impact.

##### ***New Accounting Standards***

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contract with customers. This standard will be effective for the Organization's year ending December 31, 2020.

In February 2016, the FASB issued ASU No. 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 statement of financial position at the date of 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 Organization's year ending December 31, 2022.

## PURE LIFE MINISTRIES

### Notes to Financial Statements (Continued)

#### NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *New Accounting Standards (Continued)*

The Ministry is currently in the process of evaluating the impact of adoption of these ASUs on the financial statements.

##### *Subsequent Events*

The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through August 24, 2020, the date on which the financial statements were available to be issued.

#### NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 226,009	\$ 181,931
Accounts receivable	11,100	7,956
Promises to give	<u>16,710</u>	<u>18,460</u>
	<u>\$ 253,819</u>	<u>\$ 208,347</u>

As part of the Ministry'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. Other than donations given for specific projects, all cash and cash equivalents are available without board approval for transactions of less than \$100,000. Accounts receivable and promises to give are all expected to be collected within one year. Any unpaid balances are written off as bad debts.

#### NOTE 3 PLEDGES RECEIVABLE

Pledges receivable of \$16,710 and \$18,460 at December 31, 2019 and 2018, respectively, are expected to be fully collectible within one year of the statement of financial position date. No allowance for uncollectable pledges receivable is recorded at December 31, 2019 and 2018.

**PURE LIFE MINISTRIES**

**Notes to Financial Statements  
(Continued)**

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 228,445	\$ 228,445
Buildings and improvements	2,741,388	2,784,410
Furniture and equipment	394,055	537,111
Vehicles	136,591	137,689
Construction in progress	6,970	11,501
Accumulated depreciation	<u>(1,499,128)</u>	<u>(1,618,232)</u>
	<u>\$ 2,008,321</u>	<u>\$ 2,080,924</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$170,500 and \$127,295, respectively.

**NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Pledges receivable	\$ 16,710	\$ 18,460
Other	<u>6,744</u>	<u>16,112</u>
	<u>\$ 23,454</u>	<u>\$ 34,572</u>

**NOTE 6 OPERATING LEASES**

The Ministry has operating lease agreements for office equipment, expiring at various times through 2022. The minimum annual payment required under the operating leases is as follows for the years ended December 31:

2020	\$ 4,899
2021	2,442
2022	<u>172</u>
	<u>\$ 7,513</u>

Lease expense for office equipment was \$5,621 and \$4,936 for the years ended December 31, 2019 and 2018, respectively.

## PURE LIFE MINISTRIES

### Notes to Financial Statements (Continued)

#### NOTE 7 SERVICE AGREEMENT

The Ministry has a service agreement for internet service, expiring during 2021. The minimum annual payment required under the service agreement is as follows for the years ended December 31:

2020	\$	34,938
2021		<u>16,618</u>
	\$	<u>51,556</u>

Service expense under this agreement was \$35,016 for both the years ended December 31, 2019 and 2018.

#### NOTE 8 IN KIND DONATIONS

Donated services by volunteers have not been reflected in the accompanying financial statements since no objective basis is available to measure the value of such services. Nevertheless, a number of volunteers have donated significant amounts of their time to the Ministry's operations.

Donated materials are recorded at their estimated fair market value at the date of receipt. Donated materials for program services was \$65,758 and \$117,011 for the years ended December 31, 2019 and 2018, respectively.

#### NOTE 9 SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused business disruption to some of the Ministry's programs. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. Therefore, the Ministry expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

On April 29, 2020, the Ministry entered into a term note pursuant to the Coronavirus Aid, Relief, and Economic Security Act's (CARES Act) Payroll Protection Program (the Program) for \$150,500. All or a portion of the note may be forgiven in accordance with the Program requirements. Interest on the outstanding principal balance will accrue at a fixed rate of 1.00%, but neither principle or interest are due and payable during the initial 6-month deferral period after issuance. After the initial 6-month deferral period expires, the outstanding principal balance that is not forgiven under the Program will convert to an amortizing loan payable in 18 equal installments of principal.