

Pure Life Ministries

**Financial Statements
December 31, 2020 and 2019 and
Independent Auditors' Report**

PURE LIFE MINISTRIES
December 31, 2020 and 2019

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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 (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Ministry'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, 2020 and 2019, because there are limited accounting records. Consequently, we were unable to determine whether any adjustments to those amounts were necessary.

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Independent Auditors' Report (Continued)

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, Pure Life Ministries has adopted Accounting Standards Update (ASU) 2014-09 – *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



October 15, 2021
Crestview Hills, Kentucky

PURE LIFE MINISTRIES

Statements of Financial Position December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 726,967	\$ 232,754
Accounts receivable, net	20,214	11,100
Pledges receivable, net	10,420	16,710
Prepaid expenses	11,368	-
Inventory	98,486	95,347
Property and equipment, net	<u>1,978,517</u>	<u>2,008,321</u>
Total assets	<u>\$ 2,845,972</u>	<u>\$ 2,364,232</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	80,317	24,461
Accrued expenses	9,818	31,713
Deferred counseling fees income and deposits	<u>88,544</u>	<u>38,138</u>
Total liabilities	<u>178,679</u>	<u>94,312</u>
Net Assets		
Without donor restrictions	2,591,540	2,246,466
With donor restrictions	<u>75,753</u>	<u>23,454</u>
Total net assets	<u>2,667,293</u>	<u>2,269,920</u>
	<u>\$ 2,845,972</u>	<u>\$ 2,364,232</u>

See accompanying notes to financial statements

PURE LIFE MINISTRIES
Statement of Activities
Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support			
Donations	\$ 905,815	\$ 64,733	970,548
Counseling fees	984,821	-	984,821
Teaching resources	156,659	-	156,659
Paycheck Protection Program Grant	150,500	-	150,500
Housing reimbursements	75,335	-	75,335
Net assets released from restriction	12,434	(12,434)	-
	<u>2,285,564</u>	<u>52,299</u>	<u>2,337,863</u>
Expenses			
Program services	1,714,317	-	1,714,317
Management and general	122,928	-	122,928
Fundraising	71,470	-	71,470
	<u>1,908,715</u>	<u>-</u>	<u>1,908,715</u>
Change in net assets from operations	<u>376,849</u>	<u>52,299</u>	<u>429,148</u>
Non-operating income (loss)			
Loss on sale of property and equipment	(1,372)	-	(1,372)
Other income	4,930	-	4,930
	<u>3,558</u>	<u>-</u>	<u>3,558</u>
Change in net assets	380,407	52,299	432,706
Net assets, beginning of year	2,246,466	23,454	2,269,920
Cumulative effect of change in accounting principle	(35,333)	-	(35,333)
Net assets, beginning of year, adjusted	<u>2,211,133</u>	<u>23,454</u>	<u>2,234,587</u>
Net assets, end of year	<u>\$ 2,591,540</u>	<u>\$ 75,753</u>	<u>\$ 2,667,293</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>
Revenues and support			
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			
Expenses			
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			
Change in net assets from operations	<u>(3,174)</u>	<u>(11,118)</u>	<u>(14,292)</u>
Non-operating income			
Gain (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			
Change in net assets	(1,761)	(11,118)	(12,879)
Net assets, beginning of year	<u>2,248,227</u>	<u>34,572</u>	<u>2,282,799</u>
Net assets, end of year	<u>\$ 2,246,466</u>	<u>\$ 23,454</u>	<u>\$ 2,269,920</u>

See accompanying notes to financial statements

PURE LIFE MINISTRIES

Statements of Functional Expenses Years Ended December 31, 2020 and 2019

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 694,186	\$ 32,300	\$ 22,291	\$ 748,777	\$ 670,184	\$ 34,148	\$ 28,482	\$ 732,814
Employee benefits	141,414	9,643	3,667	154,724	127,490	9,082	6,120	142,692
Payroll taxes	53,611	2,801	1,789	58,201	50,650	2,696	2,138	55,484
Total salaries and related expenses	889,211	44,744	27,747	961,702	848,324	45,926	36,740	930,990
Occupancy	142,016	6,914	-	148,930	156,874	7,092	-	163,966
Depreciation	125,843	8,131	-	133,974	155,556	14,944	-	170,500
Contractor services	99,563	-	-	99,563	83,564	-	-	83,564
Cost of goods sold	86,991	-	-	86,991	99,257	-	-	99,257
Telephone	59,059	10,544	-	69,603	51,922	9,245	-	61,167
Technology	48,558	3,255	6,435	58,248	41,012	3,388	8,328	52,728
In-kind expenses	48,641	-	-	48,641	65,758	-	-	65,758
Insurance	40,220	3,919	-	44,139	39,035	3,822	-	42,857
Advertising	36,010	-	-	36,010	74,445	-	-	74,445
Miscellaneous	27,418	2,590	460	30,468	14,797	1,700	1,548	18,045
Professional fees	-	32,948	-	32,948	-	18,353	12,999	31,352
Bank charges	19,774	1,300	10,354	31,428	21,270	1,403	10,059	32,732
Office printing	5,731	4,230	19,142	29,103	9,484	2,474	18,914	30,872
Groceries	27,292	-	-	27,292	27,597	-	-	27,597
Postage and shipping	19,171	120	6,947	26,238	20,983	120	7,988	29,091
Tithe	11,527	-	-	11,527	10,860	-	-	10,860
Vehicle expenses	10,964	-	-	10,964	11,459	-	-	11,459
Travel	5,527	2,896	199	8,622	23,785	5,998	313	30,096
Conferences and conventions	7,524	-	186	7,710	24,879	-	24,434	49,313
Office supplies	3,277	1,337	-	4,614	3,751	2,394	-	6,145
Total expenses	\$ 1,714,317	\$ 122,928	\$ 71,470	\$ 1,908,715	\$ 1,784,612	\$ 116,859	\$ 121,323	\$ 2,022,794

See accompanying notes to financial statements

PURE LIFE MINISTRIES

Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 432,706	\$ (12,879)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Loss on sale of property and equipment	1,372	1,225
Depreciation	133,974	170,500
Bad debt expense (recoveries)	(2,571)	3,934
Changes in:		
Accounts receivable, net	(6,543)	(7,078)
Pledges receivable, net	6,290	1,750
Prepaid expenses	(11,368)	-
Inventory	(3,139)	(29,643)
Accounts payable	55,856	(8,886)
Deferred counseling fees income and deposits	15,073	11,983
Accrued expenses	(21,895)	2,927
Net cash provided by operating activities	599,755	133,833
Cash flows from investing activities		
Proceeds from sale of property and equipment	750	1,300
Purchase of property and equipment	(106,292)	(100,422)
Net cash used in investing activities	(105,542)	(99,122)
Net change in cash and cash equivalents	494,213	34,711
Cash and cash equivalents, beginning of year	232,754	198,043
Cash and cash equivalents, end of year	\$ 726,967	\$ 232,754

See accompanying notes to financial statements

PURE LIFE MINISTRIES

Notes to Financial Statements

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 located in Dry Ridge, Kentucky and 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, 2020 and 2019. The Ministry maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The Ministry has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are due from individuals and other third-party payers. Accounts receivable are recorded at the amounts expected to be collected or net realizable value. In evaluating the collectability of accounts and pledges receivable, the Ministry 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, 2020 and 2019.

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, 2020 and 2019 was \$98,486 and \$95,347 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, 2020 and 2019.

Deferred Counseling Fees Income and Deposits

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

Contributions

The Ministry records gifts of cash and other assets at their fair value as of the date of contribution. such donations are recorded as revenue without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor 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 restrictions. Unconditional gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as net assets without donor restrictions. Conditional gifts that are originally restricted by the donor and for which the condition and restriction are met in the same period are recorded as net assets without donor restrictions.

Unconditional promises to give, expected to be collected within one year, are reported at their net realizable value. Unconditional promises to give expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue. Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met.

Revenue Recognition

The Ministry identifies a contract with a customer for revenue recognition when there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance and the collectability of consideration is probable. The Ministry evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgment. To determine the proper revenue recognition method, the Ministry evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as single or more than one performance obligation. The Ministry recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Revenues from contracts with customers consist of service fees for residential and at-home programs and product sales. Revenue recognized from contracts with customers are reflected in the statement of activities as counseling fees and teaching resources.

PURE LIFE MINISTRIES

Notes to Financial Statements (Continued)

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

Revenue Recognition (Continued)

For the residential programs, control transfers to the customer over time, as the customer simultaneously receives and consumes the benefits provided as the customer obtains control of the promised goods and the Ministry satisfies its performance obligation. The residential program consists of two phases, each of which are separate performance obligations as the promise to transfer the service is separately identifiable from other promises in the contracts and, therefore, distinct. For each performance obligation, revenue is recognized by the Ministry over the time its services are provided to the customer. The Ministry generally uses the time elapsed method, an input measure, as it considers it to best depict the simultaneous consumption and delivery of its services. The transaction price is stated in the contract and is known at time of contract inception. There is no variable consideration associated with the Ministry's contracts with customers for the residential program. A nonrefundable induction fee is due upon application into the residential program and recognized as a contract liability. Contract liabilities related to residential programs included in deferred revenue as of December 31, 2020 was \$27,889. The remainder of the contract price is due weekly in advance of the services received. Revenue recognized from contracts with customers in the residential programs is included on the statement of activities with counseling fees and was \$750,264 for 2020. The determination of the residential program fees being classified as revenue from contracts with customers and not lease income requires judgment. The determination of the method by which the Ministry measures its progress towards the satisfaction of its performance obligations requires judgment.

For the at-home programs, control for certain benefits transfers to the customer either over time, using the input method as time elapses over the program period (12 weeks), as the customer simultaneously receives and consumes the benefits provided as the Ministry performs on its obligation, or at a point in time, as the customer obtains control of the promised goods and the Ministry satisfies its performance obligation. The program consists of shipping materials to the customer and weekly counseling sessions, each of which are separate performance obligations as the promise to transfer the goods is separately identifiable from the services in the contracts and, therefore, distinct. Service fees recognized at a point in time are for the program materials shipped to the customer prior to the start of the 12 week program. Program fees recognized at a point in time was approximately \$27,540 in 2020. The services recognized over time include weekly half hour counseling sessions throughout the 12 week period of the program. Program fees recognized over time was approximately \$224,825 in 2020. For the services recognized over time, the Ministry generally uses the time elapsed method, an input measure, as it considers it to best depict the simultaneous consumption and delivery of its services. Significant judgments were utilized by management in determining the allocation of the transaction price among the various program benefits. The transaction price is stated in the contract and is known at time of contract inception. There is no variable consideration associated with the Ministry's contracts with customers for the at-home programs. Payment for the at-home programs is due prior to receiving any goods or services relating to the at-home programs. Contract liabilities related to at-home programs included in deferred revenue as of December 31, 2020 was \$30,570. Revenue recognized from contracts with customers in the at-home programs is included on the statement of activities with counseling fees and was \$252,365 for 2020. The determination of the method by which the Ministry measures its progress towards the satisfaction of its performance obligations requires judgment.

PURE LIFE MINISTRIES

Notes to Financial Statements (Continued)

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

Revenue Recognition (Continued)

For the sale of products, control transfers to the customer at a point in time, as the customer obtains control of the promised goods and the Ministry satisfies its performance obligation. Contracts for the sale of products consist of a single performance obligation as the promise to transfer the good is not separately identifiable from other promises in the contracts and, therefore, not distinct. Revenue is recognized when control of the product is transferred to the customer, which is the point in time the goods are shipped to the customer. The transaction price is stated in the contracts and is known at the time of contract inception. There is no variable consideration associated with the Ministry's contracts with customers for the sale of products. Payment for product sales are typically received at the time of sale and prior to the customer receiving the goods. Revenue recognized from contracts with customers for the sale of products are reflected on the statement of activities as teaching resources and were \$156,659 for 2020.

The Ministry does not have any significant financing components as payments are typically received before services are provided.

Income Taxes

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

The Ministry's IRS Form 990 is subject to review and examination by federal and state authorities. The Ministry 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 \$36,010 and \$74,445 for the years ended December 31, 2020 and 2019, respectively.

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.

PURE LIFE MINISTRIES

Notes to Financial Statements (Continued)

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

Effect of Adopting New Accounting Standard

During 2020, the Ministry adopted ASU 2014-09, *Revenue from Contracts with Customers* ("Topic 606"), which replaces most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Pure Life adopted the ASU using the modified retrospective approach to all contracts that were not completed as of the beginning 2020. Results for reporting periods beginning after December 31, 2019 are presented under Topic 606, while prior period amounts, and disclosures are not adjusted and continue to be reported under the accounting standards in effect for the prior period. The most significant impact of the adoption of Topic 606 was Pure Life's assessment of contract liabilities and expanded disclosures for revenue recognition.

Upon adoption of ASC 606, Pure Life recorded an adjustment to beginning net assets of \$35,333 to recognize contract liabilities not fulfilled as of January 1, 2020 related to residential program induction fees previously recognized as revenue when received. Upon adoption of ASC 606, Pure Life is recognizing this revenue over the contract period. An adjustment of \$27,889 was recorded for these contract liabilities not earned as of December 31, 2020, with a corresponding \$7,444 increase to counseling fees for the change in contract liabilities during 2020.

The following table summarizes the impact of ASC 606 on Pure Life's financial statements for the year ended December 31, 2020:

	As Reported With Adoption of ASC 606	ASC 606 Adjustment	Balance Without Adoption of ASC 606
Deferred counseling fees income and deposits	\$ 88,544	\$ (27,889)	\$ 60,655
Net assets without donor restrictions	2,591,540	35,333	2,626,873
Counseling fees	984,821	(7,444)	977,377
Change in net assets	432,706	(7,444)	425,262

New Accounting Standards

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 Ministry's year ending December 31, 2022.

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

Subsequent Events

The Ministry 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 October 15, 2021, the date on which the financial statements were available to be issued.

PURE LIFE MINISTRIES

Notes to Financial Statements (Continued)

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

Reclassifications

Certain 2019 amounts have been reclassified to conform to the 2020 presentation.

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 661,634	\$ 226,009
Accounts receivable	20,214	11,100
Pledges receivable	<u>10,420</u>	<u>16,710</u>
	<u>\$ 692,268</u>	<u>\$ 253,819</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 and pledges receivable 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 \$10,420 and \$16,710 at December 31, 2020 and 2019, 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, 2020 and 2019.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment as of December 31 consisted of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 228,445	\$ 228,445
Buildings and improvements	2,758,897	2,741,388
Furniture and equipment	401,840	394,055
Vehicles	136,591	136,591
Construction in progress	80,937	6,970
Accumulated depreciation	<u>(1,628,193)</u>	<u>(1,499,128)</u>
	<u>\$ 1,978,517</u>	<u>\$ 2,008,321</u>

PURE LIFE MINISTRIES

Notes to Financial Statements (Continued)

NOTE 5 PAYCHECK PROTECTION PROGRAM (PPP) GRANT

On April 29, the Ministry entered into a term note pursuant to the Coronavirus Aid, Relief, and Economic Security Act's (CARES Act) Paycheck 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 principal 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. On November 16, 2020, the Ministry received notification from the bank that the loan was fully forgiven and used in accordance with the Program requirements. Accordingly, the Ministry has elected to apply the conditional contribution guidance pursuant to ASC 958-605 to determine the derecognition of the liability. In accordance with this guidance, the derecognition threshold for the liability is when the conditions of the Paycheck Protection Program are "substantially met" and occur on or before the statement of financial position date.

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2020</u>	<u>2019</u>
Pledges receivable	\$ 10,420	\$ 16,710
Other	65,333	6,744
	<u>\$ 75,753</u>	<u>\$ 23,454</u>

NOTE 7 OPERATING LEASES

The Ministry has operating lease agreements for office equipment, expiring at various times through 2025. The minimum annual payment required under the operating leases is as follows for the years ended December 31:

2021	\$ 9,600
2022	9,085
2023	8,914
2024	8,914
2025	6,685
	<u>\$ 43,198</u>

Lease expense for office equipment was \$6,743 and \$5,621 for the years ended December 31, 2020 and 2019, respectively.

PURE LIFE MINISTRIES

Notes to Financial Statements (Continued)

NOTE 8 SERVICE AGREEMENT

The Ministry has a service agreement for internet service, expiring during 2021. The minimum annual payment required under the service agreement is \$16,618 for the year ended December 31, 2021.

Service expense under this agreement was \$35,016 for both the years ended December 31, 2020 and 2019.

NOTE 9 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 \$48,641 and \$65,758 for the years ended December 31, 2020 and 2019, respectively.

NOTE 10 COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. Consequently, there was disruption in the Ministry's programs and impacts to its revenues in 2020.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Ministry's business and financial results will depend on future developments, including the duration and spread of the outbreak within the market in which the Ministry operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

NOTE 11 SUBSEQUENT EVENTS

On February 17, 2021, Pure Life purchased the property at 705 East Fairview Road in Williamstown, KY, near their residential campus, for the purpose of staff housing. The property was purchased for a sale price of \$80,000 and no debt financing was used in the purchase of this property.