

PURE LIFE MINISTRIES, INC.

INDEPENDENT AUDITORS' REPORT & FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors
Pure Life Ministries, Inc.
Dry Ridge, Kentucky**

Qualified Opinion

We have audited the accompanying financial statements of Pure Life Ministries, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Pure Life Ministries, Inc. as of December 31, 2022 and 2021, 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.

Basis for Qualified Opinion

We did not obtain sufficient appropriate audit evidence for the balance of property and equipment as of December 31, 2022 and 2021, because there are limited accounting records for past purchases of property and equipment. Consequently, we were unable to determine whether any adjustments to those amounts were necessary.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pure Life Ministries, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pure Life Ministries, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pure Life Ministries, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pure Life Ministries, Inc.'s ability to continue as a going concern for a reasonable period of time.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in dark ink, appearing to read "Scroggins Grear". The signature is fluid and cursive, with the first name "Scroggins" and the last name "Grear" clearly distinguishable.

Cincinnati, Ohio
July 27, 2023

PURE LIFE MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

ASSETS	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
CURRENT ASSETS						
Cash & cash equivalents	\$ 566,726	\$ 168,983	\$ 735,709	\$ 646,420	\$ 29,604	\$ 676,024
Accounts receivable	18,042	-	18,042	14,879	-	14,879
Pledges receivable	-	13,530	13,530	-	12,797	12,797
Prepaid expenses	25,531	-	25,531	22,052	-	22,052
Inventory	89,892	-	89,892	90,624	-	90,624
Total current assets	700,191	182,513	882,704	773,975	42,401	816,376
OPERATING LEASE RIGHT-OF-USE ASSETS	26,873	-	26,873	-	-	-
PROPERTY & EQUIPMENT						
Land	253,445	-	253,445	253,445	-	253,445
Buildings & improvement	3,057,355	-	3,057,355	3,036,105	-	3,036,105
Furniture & equipment	511,764	-	511,764	469,676	-	469,676
Vehicles	186,456	-	186,456	136,591	-	136,591
Construction in progress	222,451	-	222,451	-	-	-
	4,231,471	-	4,231,471	3,895,817	-	3,895,817
Less: Accumulated depreciation	(1,912,709)	-	(1,912,709)	(1,763,934)	-	(1,763,934)
Total property & equipment, net	2,318,762	-	2,318,762	2,131,883	-	2,131,883
TOTAL ASSETS	\$ 3,045,826	\$ 182,513	\$ 3,228,339	\$ 2,905,858	\$ 42,401	\$ 2,948,259

The accompanying notes are an integral part of the financial statements.

PURE LIFE MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
December 31, 2022 and 2021

LIABILITIES & NET ASSETS	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
CURRENT LIABILITIES						
Current portion of operating lease liabilities	\$ 9,974	\$ -	\$ 9,974	\$ -	\$ -	\$ -
Accounts payable	64,822	-	64,822	88,553	-	88,553
Accrued expenses	14,165	-	14,165	13,439	-	13,439
Deferred counseling fees income & deposits	111,701	-	111,701	71,544	-	71,544
<i>Total current liabilities</i>	200,662	-	200,662	173,536	-	173,536
OPERATING LEASE LIABILITIES, LESS						
CURRENT PORTION	16,899	-	16,899	-	-	-
NET ASSETS	<u>2,828,265</u>	<u>182,513</u>	<u>3,010,778</u>	<u>2,732,322</u>	<u>42,401</u>	<u>2,774,723</u>
TOTAL LIABILITIES &						
NET ASSETS	<u>\$ 3,045,826</u>	<u>\$ 182,513</u>	<u>\$ 3,228,339</u>	<u>\$ 2,905,858</u>	<u>\$ 42,401</u>	<u>\$ 2,948,259</u>

The accompanying notes are an integral part of the financial statements.

PURE LIFE MINISTRIES, INC.
STATEMENTS OF ACTIVITIES
December 31, 2022 and 2021

	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUE & SUPPORT						
Counseling fees	\$ 1,080,416	\$ -	\$ 1,080,416	\$ 962,625	\$ -	\$ 962,625
Donations	967,065	178,721	1,145,786	848,967	41,751	890,718
In-kind contributions	53,875	-	53,875	48,781	-	48,781
Teaching resources	153,753	-	153,753	144,926	-	144,926
Annual conference	62,802	-	62,802	55,169	-	55,169
Housing reimbursements	84,500	-	84,500	74,265	-	74,265
Gain (loss) on sale of assets	-	-	-	925	-	925
Other income	6,106	-	6,106	3,613	-	3,613
<i>Total revenue & support</i>	2,408,517	178,721	2,587,238	2,139,271	41,751	2,181,022
NET ASSETS RELEASED FROM RESTRICTION	38,609	(38,609)	-	75,103	(75,103)	-
EXPENSES						
Program services	2,117,330	-	2,117,330	1,850,725	-	1,850,725
Management & general	145,382	-	145,382	135,974	-	135,974
Fundraising	88,471	-	88,471	86,893	-	86,893
<i>Total expenses</i>	2,351,183	-	2,351,183	2,073,592	-	2,073,592
CHANGE IN NET ASSETS	95,943	140,112	236,055	140,782	(33,352)	107,430
NET ASSETS AT BEGINNING OF YEAR	2,732,322	42,401	2,774,723	2,591,540	75,753	2,667,293
NET ASSETS AT END OF YEAR	\$ 2,828,265	\$ 182,513	\$ 3,010,778	\$ 2,732,322	\$ 42,401	\$ 2,774,723

The accompanying notes are an integral part of the financial statements.

PURE LIFE MINISTRIES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
December 31, 2022 and 2021

FUNCTIONAL EXPENSES

2022					2021*				
Program Services	Management & General	Fundraising	Total		Program Services	Management & General	Fundraising	Total	
Salaries & wages	\$ 798,854	\$ 46,848	\$ 27,617	\$ 873,319	\$ 720,677	\$ 40,918	\$ 23,613	\$ 785,208	
Employee benefits	178,066	16,609	1,474	196,149	151,956	13,706	1,401	167,063	
Payroll taxes	60,297	3,513	2,106	65,916	54,335	3,039	1,793	59,167	
Total salaries & related expenses	1,037,217	66,970	31,197	1,135,384	926,968	57,663	26,807	1,011,438	
Advertising	40,681	-	-	40,681	36,040	-	-	36,040	
Bank charges	27,391	1,112	12,733	41,236	20,083	1,301	11,074	32,458	
Occupancy	237,597	9,282	13	246,892	170,321	10,450	-	180,771	
Depreciation	139,470	9,305	-	148,775	127,176	8,564	-	135,740	
Contractor services	81,882	-	-	81,882	94,430	-	-	94,430	
Cost of goods sold	87,942	-	-	87,942	85,217	-	-	85,217	
Telephone & internet	51,511	7,706	-	59,217	54,377	9,391	-	63,768	
Technology	91,445	4,660	6,170	102,275	58,592	(1,345)	5,920	63,167	
Insurance	44,012	3,932	-	47,944	40,275	2,558	-	42,833	
Operating lease expense	4,226	4,834	1,362	10,422	-	-	-	-	
Miscellaneous	22,506	3,614	1,080	27,200	9,750	3,151	12,175	25,076	
Professional fees	8,421	19,895	-	28,316	1,538	31,416	-	32,954	
Office printing	4,260	-	10,022	14,282	3,930	4,038	10,839	18,807	
Groceries	90,014	-	-	90,014	85,760	-	-	85,760	
Postage & shipping	17,964	123	6,537	24,624	17,262	122	6,327	23,711	
Tithe	26,317	-	-	26,317	26,609	-	-	26,609	
Conferences & conventions	78,990	-	19,085	98,075	61,943	-	13,511	75,454	
Office supplies	3,839	1,461	-	5,300	2,482	1,253	-	3,735	
Travel	5,333	12,432	272	18,037	16,975	7,412	240	24,627	
Vehicle expenses	16,312	56	-	16,368	10,997	-	-	10,997	
Total functional expenses	\$ 2,117,330	\$ 145,382	\$ 88,471	\$ 2,351,183	\$ 1,850,725	\$ 135,974	\$ 86,893	\$ 2,073,592	

* Reclassified to conform to current year presentation

The accompanying notes are an integral part of the financial statements.

PURE LIFE MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 236,055	\$ 107,430
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	148,775	135,740
(Gain) loss on sale of property & equipment	-	(925)
(Increase) decrease in:		
Accounts receivable	(3,163)	5,335
Pledges receivable	(733)	(2,377)
Prepaid expenses	(3,479)	(10,684)
Inventory	732	7,862
Increase (decrease) in:		
Accounts payable	(23,731)	8,236
Accrued expenses	726	3,621
Deferred counseling fees income & deposits	40,157	(17,000)
Net cash provided by (used in) operating activities	<u>395,339</u>	<u>237,238</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	925
Purchase of property and equipment	(335,654)	(289,106)
Net cash provided by (used in) investing activities	<u>(335,654)</u>	<u>(288,181)</u>
INCREASE (DECREASE) IN UNRESTRICTED AND RESTRICTED CASH & CASH EQUIVALENTS	59,685	(50,943)
UNRESTRICTED AND RESTRICTED CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>676,024</u>	<u>726,967</u>
UNRESTRICTED AND RESTRICTED CASH & CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 735,709</u></u>	<u><u>\$ 676,024</u></u>
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	\$ -	\$ -
Taxes	\$ -	\$ -
Non-cash transaction:		
Donation of property and equipment	\$ -	\$ 925

The accompanying notes are an integral part of the financial statements.

PURE LIFE MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES

Pure Life Ministries, Inc. (the Ministry) serves 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 is supported primarily through counseling fees and donations.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying financial statements follows:

1. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

2. 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.

3. Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Undesignated net assets available for use in general operations and not subject to donor or grantor restrictions. During the year ended December 31, 2022, the Board designated \$100,000 as operating reserves.

Net Assets With Donor Restrictions - Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

However, the Ministry reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without

PURE LIFE MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Basis of Presentation (Continued)

donor restrictions and reported in the statements of activities as net assets released from restrictions.

4. Fair Value Measurements

FASB guidance on fair value measurements defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The guidance applies to all assets and liabilities that are measured and reported on a fair value basis. The carrying amounts of financial instruments, including cash & cash equivalents, current liabilities, and long-term liabilities, approximate fair value due to their nature and duration.

5. Cash & Cash Equivalents

The Ministry considers all unrestricted highly liquid investments with original maturities of three months or less to be cash equivalents. There were \$445,970 and \$450,347, respectively, of cash equivalents held in a money market account at December 31, 2022 and 2021.

6. 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 collectibility 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 was deemed necessary at December 31, 2022 and 2021. Bad debt expense (recovery) for the years ended December 31, 2022 and 2021 was \$13,416 and (\$2,093), respectively.

7. 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, 2022 and 2021 was \$89,892 and \$90,624, respectively.

8. Pledges Receivable

Unconditional promises to give are contributions pledged by the public to be received by the Ministry in the future. These pledges are recognized when the donor makes a promise to give to the Ministry that is, in substance, unconditional. Pledged contributions not yet received at December 31, 2022 and 2021 were \$13,530 and \$12,797, respectively. These pledges are expected to be collected within one year and are reported at net realizable value. No allowance for uncollectible pledges receivable was recorded at December 31, 2022 and 2021.

PURE LIFE MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Property & Equipment

Purchases of land, building, and equipment are stated at cost. Donated property and equipment are recorded at fair value. The Ministry capitalizes all purchased or donated assets greater than \$2,500. Depreciation is recorded over the estimated useful lives of the fixed assets, utilizing the straight-line method. The estimated useful lives are as follows:

Buildings	30 years
Building improvements	7 - 15 years
Furniture & equipment	5 - 10 years
Vehicles	5 years

Depreciation expense for the years ended December 31, 2022 and 2021 was \$148,775 and \$135,740, respectively.

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, 2022 and 2021.

10. Deferred Counseling Fees Income & Deposits

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

11. Leases

The Ministry calculates operating lease liabilities using a risk-free discount rate, using a comparable period with the lease term, as discount rates implicit in the Ministry's leases cannot be readily determined. All lease and non-lease components are combined for all leases. Leases with a term of 12 months or less are expensed as incurred with no lease asset or liability recognized.

12. 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 asset must be used. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restriction. When a donor's 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. 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 nets 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.

PURE LIFE MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Contributions (Continued)

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.

13. In-Kind Contributions

In-kind contributions are recorded at fair value at the date of donation and reported as expense when utilized. Unless otherwise noted, in-kind contributions do not have donor restrictions. Many individuals volunteer their time and perform a variety of tasks that assist the Ministry; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

14. 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 collectibility 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.

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 services is separately identifiable from the 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 the 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, 2022 and 2021 were \$62,599 and \$39,408, respectively. The remainder of the contract price is due weekly in advance of the services received. Revenue recognized from contracts with customers in the residential program is included on the statement of activities with counseling fees and was \$821,441

PURE LIFE MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Revenue Recognition (Continued)

and \$705,757 for 2022 and 2021, respectively. 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 toward 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 were approximately \$31,230 and \$33,480 in 2022 and 2021, respectively. The services recognized over a time include weekly half hour counseling sessions throughout the 12-week period of the program.

Program fees recognized over time were approximately \$220,480 and \$214,261 in 2022 and 2021, respectively. 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 the 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, 2022 and 2021 were \$49,102 and \$31,887, respectively. Revenue recognized from contracts with customers in the at-home programs is included on the statement of activities with counseling fees and was \$254,770 and \$247,741 for 2022 and 2021, respectively. The determination of the method by which the Ministry measures its progress towards the satisfaction of its performance obligations requires judgment.

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

PURE LIFE MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Revenue Recognition (Continued)

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. Payments 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 \$150,343 and \$144,926 for 2022 and 2021, respectively.

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

15. Advertising

Advertising costs are expensed as incurred. Advertising expenses totaled \$40,681 and \$36,040 for the years ended December 31, 2022 and 2021, respectively.

16. Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement 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.

17. Income Tax Status

The Ministry is a not-for-profit corporation exempt from federal income tax under Section 501(c)(3) 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 income.

The Ministry's IRS Form 990, *Return of Organization Exempt from Income Tax*, 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.

18. Accounting Pronouncement Adopted

Effective January 1, 2022, the Ministry changed its accounting method for leases as a result of implementing FASB ASU No. 2016-02, "*Leases (Topic 842)*." The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize right-of-use assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activity. A modified retrospective transition approach was implemented; therefore, there was no cumulative effect adjustment to the Ministry's statement of financial position and comparative information has not been restated and continues to be reported under the accounting standards in effect for the prior period. The

PURE LIFE MINISTRIES, INC.
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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

18. Accounting Pronouncement Adopted (Continued)

Ministry elected a package of practical expedients which allowed for not reassessing the lease classification or initial direct costs for existing leases. The Ministry also elected the practical expedient for non-public entities to use the risk-free rate. The Ministry has not elected the hindsight practical expedient.

As of January 1, 2022, \$36,651 in operating lease right-of-use assets and corresponding lease liabilities were recognized. Adoption of the new guidance did not have a significant impact to the results of operations or cash flows for the year ended December 31, 2022.

In September 2020, the FASB issued ASU 2020-07, "*Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*," which enhances how organizations present contributed nonfinancial assets. The new standard is effective for annual periods beginning after June 15, 2021. Accordingly, this ASU was effective for the Ministry for the year ended December 31, 2022. Adoption of the new guidance did not have a significant impact other than increased disclosure for the year ended December 31, 2022.

NOTE C - OPERATING LEASES

The Ministry leases office equipment under agreements that extend to October 2025.

In October 2020, the Ministry signed an operating lease for several copiers with a monthly payment of \$811 that expires in October 2025. There is no renewal option at this time.

In January 2019, the Ministry signed an operating lease for a postage machine with quarterly payments of \$172 that expires in April 2024. There is no renewal option at this time.

Lease cost and cash flows for these operating leases was \$10,422 for the year ended December 31, 2022. The weighted-average remaining lease term related to the Ministry's lease liabilities was 4.9 years and the weighted-average risk-free rate was 2.0% as of December 31, 2022.

The following summarizes the cash flow information related to operating leases for the year ended December 31, 2022.

Cash paid for amounts included in the measurement of lease liability:

Operating cash flows for operating leases	\$	10,422
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Noncash transactions:

Right-of-use assets obtained in exchange for operating lease liabilities	\$	36,651
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PURE LIFE MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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NOTE C - OPERATING LEASES (Continued)

The maturities of operating lease liabilities as of December 31, 2022 are as follows:

	Office Equipment
2023	\$ 10,422
2024	9,907
2025	7,301
2026	-
2027	-
Thereafter	-
	<u>27,630</u>
Less: imputed interest	<u>(757)</u>
Total lease liability	<u>\$ 26,873</u>

NOTE D - DESCRIPTION OF PROGRAM & SUPPORTING SERVICES

The following program and supporting services are included in the accompanying statement of activities:

Program Service

Programs

The Ministry serves 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 in God.

Supporting Services

Management & General

This supporting service category includes the functions necessary to secure proper administrative functioning of the Ministry, as well as maintaining an adequate working environment and managing financial responsibilities of the Ministry.

Fundraising & Development

This supporting service category includes expenditures which provide the structure necessary to encourage and secure financial support for the Ministry's operations.

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NOTE E - LIQUIDITY & 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 at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 566,726	\$ 646,420
Accounts receivable	18,042	14,879
	<u>\$ 584,768</u>	<u>\$ 661,299</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 debt.

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions have time and purpose restrictions as follows at December 31:

	<u>2022</u>	<u>2021</u>
Pledges receivable	\$ 13,530	\$ 12,797
Special projects	132,616	10,264
Scholarships	33,003	15,813
Other	3,364	3,527
	<u>\$ 182,513</u>	<u>\$ 42,401</u>

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. Net assets were released as follows at December 31:

	<u>2022</u>	<u>2021</u>
Pledges receivable	\$ 12,797	\$ 10,420
Special projects	10,264	64,683
Scholarships	13,216	-
Other	2,332	-
	<u>\$ 38,609</u>	<u>\$ 75,103</u>

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NOTE G - CONCENTRATIONS OF CREDIT RISK & MARKET RISK

Financial instruments that potentially expose the organization to concentrations of credit and market risk consist of cash and cash equivalents. Cash and cash equivalents are maintained at a high-quality financial institution and are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2022 and 2021, the Ministry's deposits exceeded FDIC insurance limits. The Ministry has not experienced any losses on its cash or cash equivalents and management believes it is not exposed to any significant credit risk.

NOTE H - COMMITMENTS

The Ministry had an internet service agreement that expired in May 2021. On June 1, 2021, the Ministry entered into a new internet service agreement which expires in May 2024. In January 2022, the Ministry entered into a telephone service agreement which expires in January 2025. The minimum annual payments required under these service agreements are as follows for the years ending December 31:

2023	\$ 21,357
2024	11,662
2025	<u>395</u>
	<u>\$ 33,414</u>

Service expense under these agreements was \$20,962 and \$26,313, respectively, for the years ended December 31, 2022 and 2021, and was recorded under telephone and internet expense.

NOTE I - IN-KIND CONTRIBUTIONS

The Ministry received donated rent, food, and other household items that are used for their resident program. The donations are not sold and are only used for program use. The rent is recorded as in-kind contributions at fair value with a corresponding expense allocated to occupancy expense. The goods are also recorded as in-kind contributions at fair value with a corresponding expense allocated to groceries expense. Fair value of the food was determined using the average value of \$39.81 per case, and rent was determined using the estimated rent cost in the area.

The Ministry received the following in-kind contributions for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Rent	\$ 11,000	\$ -
Food & non-food items	42,875	45,901
Other	<u>-</u>	<u>2,880</u>
	<u>\$ 53,875</u>	<u>\$ 48,781</u>

PURE LIFE MINISTRIES, INC.
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NOTE J - DATE OF MANAGEMENT'S REVIEW & SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 27, 2023, which is the date on which the financial statements were available to be issued.

No subsequent events were identified that would require an adjustment to or disclosure in the accompanying financial statements.

