

LOVING GRACE MINISTRIES, INC.
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022 AND 2021

LOVING GRACE MINISTRIES, INC.
YEARS ENDED DECEMBER 31, 2022 AND 2021

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RAUSA, BARLOTTA & ASSOCIATES, PA

accountants, consultants & advisors

Board of Directors of Loving Grace Ministries, Inc.
Sparta, New Jersey

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

We have reviewed the accompanying financial statements of Loving Grace Ministries, Inc., (a non-profit organization) which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Supplementary Information

The supplementary information included in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and is derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

We are required to be independent of Loving Grace Ministries, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the basis of accounting principles generally accepted in the United States of America.

Rausa, Barlotta & Associates, PA

Montvale, NJ

July 11, 2023

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LOVING GRACE MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 65,393	\$ 129,208
Inventory	46,368	50,701
Land, buildings, equipment and intangible assets at cost less accumulated depreciation and amortization	322,152	335,589
Other assets		
Prepaid expense	4,671	4,299
Right to use asset	11,397	-
Total assets	<u>\$ 449,981</u>	<u>\$ 519,797</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 48,808	\$ 51,061
Current portion of long-term lease liability	3,557	-
Long-term lease liability	7,840	-
Total liabilities	<u>60,205</u>	<u>51,061</u>
Net assets:		
With donor restriction:		
Designated	-	3,000
Without donor restriction:		
Undesignated	67,624	130,147
Equity in property and equipment	322,152	335,589
Total net assets	<u>389,776</u>	<u>468,736</u>
Total liabilities and net assets	<u>\$ 449,981</u>	<u>\$ 519,797</u>

See accompanying notes and independent accountants' review report

LOVING GRACE MINISTRIES, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Net assets without donor restriction:		
Support and revenue:		
Contributions without donor restrictions	\$ 900,650	\$ 974,861
Sales	10,900	14,803
Rental Income	9,600	8,800
Investment income	<u>17</u>	<u>2</u>
Total support and revenue without donor restriction	<u>921,167</u>	<u>998,466</u>
Expenses:		
Program services	788,090	763,723
Supporting services:		
General administration	120,043	120,634
Fund raising	<u>91,994</u>	<u>92,917</u>
Total expenses	<u>1,000,127</u>	<u>977,274</u>
Increase (decrease) in net assets without donor restrictions	(78,960)	21,192
Net assets with donor restrictions:		
Contributions	<u>-</u>	<u>3,000</u>
Increase in net assets with donor restrictions	<u>-</u>	<u>3,000</u>
Increase (decrease) in net assets	(78,960)	24,192
Net assets at the beginning of the year	<u>468,736</u>	<u>444,544</u>
Net assets at the end of the year	<u>\$ 389,776</u>	<u>\$ 468,736</u>

LOVING GRACE 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	\$ (78,960)	\$ 24,192
Adjustments to reconcile change in net assets to net cash provided (utilized) by operating activities:		
Depreciation and amortization	27,643	26,990
Decreases (increases) in assets:		
Inventory	4,333	2,564
Prepaid expense	(373)	(153)
Right to use asset	(11,397)	-
Increases (decreases) in liabilities:		
Accounts payable and accrued expenses	(2,253)	8,944
Lease liability	11,397	-
Net cash provided (utilized) by operating activities	<u>(49,610)</u>	<u>62,537</u>
Cash flows utilized by investing activities:		
Purchase of equipment and improvements	<u>(14,205)</u>	<u>(4,380)</u>
Net increase (decrease) in cash and cash equivalents	(63,815)	58,157
Cash and cash equivalents:		
Beginning of year	<u>129,208</u>	<u>71,051</u>
End of year	<u>\$ 65,393</u>	<u>\$ 129,208</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and independent accountants' review report

LOVING GRACE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Loving Grace Ministries, Inc. (the Ministry) is a nonprofit organization exempt from taxation under section 501(c)(3) of the Internal Revenue Code incorporated in the State of New Hampshire in 1979. The Ministry's express purpose is to disseminate the teachings of Jesus Christ throughout the world. This is accomplished by a syndicated radio program, evangelistic crusades, teaching seminars, religious instructional retreats, the sale of home study bible courses, instructional literature, music and teaching recordings, and internet streaming of religious based content.

Basis of Accounting

The financial statements of the Ministry have been prepared on the accrual basis. The Ministry reports its financial statements in accordance with generally accepted accounting principles of the United States of America. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ASC 958-210 and ASU 2016-14, Financial Statements of Not-for-Profit Organizations. Under ASU 2016-14, the Ministry is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net asset without donor restrictions. As of December 31, 2021, there were assets of \$3,000 with donor restrictions. As of December 31, 2022, there were no assets with donor restrictions.

LOVING GRACE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Enhanced Information

The Ministry prepares annual budgets and utilizes the budgets as a tool to manage its liquid resources to meet cash needs for general expenditures. There are no governing board designations that result on self-imposed limits on the use of resources.

The Ministry analyzes each expense category based on purpose and estimated time. In addition, each expenditure is classified based on the specific function of the expenditure into program services, general and administrative and fund raising categories.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Support and Revenue

The Ministry receives its support from donations in support of the radio ministry, special projects and capital campaigns, seminars, retreats and pilgrimages, and the sale of digital downloads, audio cassettes, compact discs, literature, books and apparel.

Contributions

The Ministry follows ASC 958-605, "Accounting for Contributions Received and Contributions Made", whereby contributions received are recorded as with or without donor restrictions support depending on the existence and/or nature of any donor limitations. Gifts restricted for the purchase of property, equipment or improvements are reported as net assets with donor restrictions. The restrictions are satisfied when the acquired assets are placed in service, unless the donor stipulates otherwise.

LOVING GRACE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Membership

The Ministry is a member in good standing of the Evangelical Council for Financial Accountability, adhering to their standards for responsible stewardship.

Inventory

Inventory is stated at the lower of cost or market. Inventory items include religious instructional and counseling materials, media and apparel. The Ministry maintains an allowance for slow moving and obsolete items.

Property and Equipment

Uses of operating funds for property and equipment acquisitions are accounted for as transfers to equity in property and equipment. The ministry follows the practice of capitalizing all expenditures for property and equipment.

Property and equipment is stated at cost and depreciation is computed using the straight line and accelerated methods over the estimated useful lives of the assets as follows:

Building	40 years
Furniture and equipment	5-12 years
Vehicles	5 years

Income Taxes

Loving Grace Ministries, Inc. is a nonprofit corporation organized under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there are no provisions for income taxes. The federal and state tax returns of the Ministry are subject to examination by the IRS and New Hampshire, respectively for 2019, 2020, 2021 and 2022 generally three years after they are filed.

LOVING GRACE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Statement of Cash Flows

The Ministry's policy is to include checking, savings accounts in cash and cash equivalents.

Functional Allocation of Expenses

Expenses have been summarized on a functional basis. Certain joint costs in connection with broadcasting, retreats and other activities have been allocated in accordance with ASC 720 and ASU 2016-14 and is summarized in the supplementary information.

Compensated Absences

Compensated absences have not been accrued because the amount has been deemed to be immaterial.

Advertising

The Ministry expenses advertising costs as they are incurred. There were no advertising expenses for the years ended December 31, 2022 and 2021.

NOTE 2: LAND, BUILDING, EQUIPMENT AND INTANGIBLE ASSETS

Land, building, equipment and intangible assets consist of the following:

	<u>2022</u>	<u>2021</u>
Land and building	\$ 844,856	\$ 844,856
Furniture and equipment	322,573	311,800
Vehicles	27,363	27,363
Intangible assets	<u>90,179</u>	<u>90,179</u>
	1,284,971	1,274,198
Less: accumulated depreciation and amortization	<u>(962,819)</u>	<u>(938,609)</u>
	<u>\$ 322,152</u>	<u>\$ 335,589</u>

See independent accountants' review report

LOVING GRACE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2: LAND, BUILDING, EQUIPMENT AND INTANGIBLE ASSETS - continued

Intangible assets include the rights to the broadcasting programs has been fully amortized over a 40 year period on a straight-line basis.

NOTE 3: UNINSURED CASH BALANCES

The Ministry maintains its cash accounts at a commercial bank located in New Jersey. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC). From time to time during the year, the balance of cash may exceed the FDIC insured limit.

NOTE 4: LEASES

Effective January 1, 2022, the Ministry adopted FASB ASC 842 for leases.

The adoption of FASB ASC 842 resulted in the recognition of right to use assets of \$13,918 and operating lease liabilities of \$13,918 as of January 1, 2022. Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Ministry's results of statement of activities and cash flows.

Operating lease expenses are included in equipment rental expense in the statement of activities.

The Ministry leases mailing equipment under an operating lease with a term 5 years. The following summarizes the line items in the statement of financial position which include amounts for operating leases at December 31, 2022.

Right to use asset	<u>\$11,397</u>
Current portion of long term lease liability	<u>\$ 3,557</u>
Long term lease liability, net of current portion	<u>\$ 7,840</u>

LOVING GRACE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 4: LEASES – continued

The aggregate annual rental payments at December 31, 2022 is as follows:

2023	\$ 4,023
2024	4,023
2025	4,023
2026	<u>4,023</u>
	<u>\$16,092</u>

NOTE 5: RENTAL INCOME

In April 2019, the Ministry has agreed, on a month to month basis, to rent space in the radio cabin to a board member related party. The rent is \$800 per month and for the years ended December 31, 2022 and 2021, the total rent received was \$8,800 and \$8,800, respectively.

NOTE 6 : LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As of December 31, 2022, the Ministry has approximately \$65,000 in available liquid assets to meet its estimated monthly cash needs for 2022 general expenditures, anticipated to be approximately \$81,000. General expenditures consist of those expenses reported on Schedule I, net of depreciation.

The Ministry prepares annual budgets and utilizes the budgets as a tool to manage its liquid resources to meet cash needs for general expenditures. There are no governing board designations that result in self-imposed limits on the use of unrestricted donations and resources.

The restricted donation was designated for repairs to the parsonage and was fully utilized in January, 2022.

LOVING GRACE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 7: SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 11, 2023 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

LOVING GRACE MINISTRIES, INC.

PROGRAM SERVICES, GENERAL ADMINISTRATIVE AND FUND RAISING EXPENSES

SCHEDULE I

YEAR ENDED DECEMBER 31, 2022

	<u>Program Services</u>	<u>General Admin</u>	<u>Fund Raising</u>	<u>Total</u>
Broadcasting	\$ 427,368		\$ 47,430	\$ 474,798
Salaries	172,428	38,037	34,707	245,172
Printing & literature	2,867	685	269	3,821
Telephone	11,355	2,887		14,242
Depreciation and amortization	19,261	8,382		27,643
Office	47,139	6,429		53,568
Media	5,208			5,208
Postage	9,152	780	1,300	11,232
Employee welfare	32,101	7,078	6,484	45,663
Payroll taxes	8,935	1,970	1,804	12,709
Travel & auto	6,692	759		7,451
Insurance	10,373	10,373		20,746
Real estate taxes	3,419	13,678		17,097
Maintenance & repair	13,063	7,962		21,025
Utilities	18,490	9,168		27,658
Legal & accounting		11,465		11,465
Web site maintenance	239	390	-	629
Total expenses	\$ 788,090	\$ 120,043	\$ 91,994	\$ 1,000,127

LOVING GRACE MINISTRIES, INC.

PROGRAM SERVICES, GENERAL ADMINISTRATIVE AND FUND RAISING EXPENSES

SCHEDULE II

YEAR ENDED DECEMBER 31, 2021

	Program Services	General Admin	Fund Raising	Total
Broadcasting	\$ 426,232		\$ 47,294	\$ 473,526
Salaries	172,564	44,822	38,003	255,389
Printing & literature	3,097	741		3,838
Telephone	11,203	2,411		13,614
Depreciation and amortization	19,323	7,667		26,990
Office	32,411	6,094	191	38,696
Media	13,557	525		14,082
Postage	12,591	328	300	13,219
Employee welfare	23,230	6,034	5,116	34,380
Payroll taxes	9,140	2,374	2,013	13,527
Travel & auto	5,380	5,380		10,760
Insurance	9,916	9,916		19,832
Real estate taxes	3,365	13,459		16,824
Maintenance & repair	7,958	4,835	-	12,793
Utilities	12,576	6,115		18,691
Legal & accounting		9,300		9,300
Web site maintenance	1,180	633	-	1,813
	<u>1,180</u>	<u>633</u>	<u>-</u>	<u>1,813</u>
Total expenses	<u>\$ 763,723</u>	<u>\$ 120,634</u>	<u>\$ 92,917</u>	<u>\$ 977,274</u>