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# Life Action Ministries

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**Financial Report  
with Additional Information  
May 31, 2018**

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## Independent Auditor's Report

To the Board of Directors  
Life Action Ministries

We have audited the accompanying financial statements of Life Action Ministries (the "Organization"), which comprise the statement of financial position as of May 31, 2018 and 2017 and the related statements of activities and changes in net assets, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Life Action Ministries as of May 31, 2018 and 2017 and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

August 23, 2018

**Statement of Financial Position**

**May 31, 2018 and 2017**

|  | <u>2018</u>                 | <u>2017</u>                 |
|--|-----------------------------|-----------------------------|
| <b>Assets</b>                                      |                             |                             |
| Cash and cash equivalents                          | \$ 2,787,347                | \$ 2,161,454                |
| Investments (Note 3)                               | 1,274,564                   | 1,228,827                   |
| Receivables:                                       |                             |                             |
| Accounts receivable                                | 66,913                      | 101,580                     |
| Contributions receivable - Net (Note 2)            | 258,838                     | 120,300                     |
| Inventories  | 334,087                     | 337,665                     |
| Prepaid and other                                  | 97,078                      | 154,188                     |
| Property and equipment - Net (Note 4)              | <u>6,371,345</u>            | <u>6,567,539</u>            |
| Total assets                                       | <u><b>\$ 11,190,172</b></u> | <u><b>\$ 10,671,553</b></u> |
| <b>Liabilities and Net Assets</b>                  |                             |                             |
| <b>Liabilities</b>                                 |                             |                             |
| Accounts payable and accrued expenses              | \$ 428,440                  | \$ 468,172                  |
| Deferred revenue                                   | 1,307,334                   | 667,107                     |
| Employee health plan (Note 7)                      | 63,215                      | 31,035                      |
| Compensation-related accrued liabilities and other | <u>109,035</u>              | <u>101,790</u>              |
| Total liabilities                                  | 1,908,024                   | 1,268,104                   |
| <b>Net Assets</b>                                  |                             |                             |
| Unrestricted                                       | 8,807,058                   | 9,150,453                   |
| Temporarily restricted (Note 6)                    | <u>475,090</u>              | <u>252,996</u>              |
| Total net assets                                   | <u>9,282,148</u>            | <u>9,403,449</u>            |
| Total liabilities and net assets                   | <u><b>\$ 11,190,172</b></u> | <u><b>\$ 10,671,553</b></u> |

## Life Action Ministries

# Statement of Activities and Changes in Net Assets

Years Ended May 31, 2018 and 2017

|   | 2018                | 2017                |
|---|---------------------|---------------------|
| <b>Changes in Unrestricted Net Assets</b>   |                     |                     |
| Revenue and support:  |                     |                     |
| Contributions   | \$ 11,539,773       | \$ 11,636,284       |
| Sales of publications and merchandise (direct costs of \$346,957 and \$420,998 for the years ended May 31, 2018 and 2017, respectively, included in program service expenses) | 808,556             | 806,936             |
| Registrations and fees  | 1,405,908           | 2,045,798           |
| Investment income   | 32,544              | 14,123              |
| Gain on sale of equipment   | 12,000              | 786                 |
| Miscellaneous income  | 192,792             | 208,537             |
| Total revenue and support   | 13,991,573          | 14,712,464          |
| Net assets released from restrictions   | 219,217             | 343,598             |
| Total revenue, support, and net assets released from restrictions   | 14,210,790          | 15,056,062          |
| Expenses:   |                     |                     |
| Program expenses  | 12,004,243          | 12,925,069          |
| Support services:   |                     |                     |
| Management and general  | 1,754,672           | 1,762,081           |
| Fundraising   | 795,270             | 705,426             |
| Total expenses  | 14,554,185          | 15,392,576          |
| <b>Decrease in Unrestricted Net Assets</b>  | (343,395)           | (336,514)           |
| <b>Changes in Temporarily Restricted Net Assets</b>   |                     |                     |
| Contributions   | 441,068             | 195,689             |
| Interest income   | 243                 | 238                 |
| Net assets released from restrictions   | (219,217)           | (343,598)           |
| <b>Increase (Decrease) in Temporarily Restricted Net Assets</b>   | 222,094             | (147,671)           |
| <b>Decrease in Net Assets</b>   | (121,301)           | (484,185)           |
| <b>Net Assets - Beginning of year</b>   | 9,403,449           | 9,887,634           |
| <b>Net Assets - End of year</b>   | <b>\$ 9,282,148</b> | <b>\$ 9,403,449</b> |

**Statement of Functional Expenses**

**Year Ended May 31, 2018**

|  | Program<br>Services  | Support Services          |                   | Total                |
|--|----------------------|---------------------------|-------------------|----------------------|
|  |                      | Management<br>and General | Fundraising       |                      |
| Salaries                                   | \$ 5,194,567         | \$ 947,279                | \$ 380,875        | \$ 6,522,721         |
| Employee benefits                          | 669,211              | 84,285                    | 335               | 753,831              |
| Payroll taxes                              | 313,709              | 64,992                    | 24,356            | 403,057              |
| <b>Total salaries and related expenses</b> | <b>6,177,487</b>     | <b>1,096,556</b>          | <b>405,566</b>    | <b>7,679,609</b>     |
| Radio                                      | 867,438              | -                         | 7                 | 867,445              |
| Cost of sales                              | 346,957              | -                         | -                 | 346,957              |
| Marketing and promotions                   | 73,986               | 2,431                     | 1,159             | 77,576               |
| Internet                                   | 147,979              | 29,442                    | 2,908             | 180,329              |
| Travel                                     | 779,751              | 66,614                    | 131,992           | 978,357              |
| Contract and professional fees             | 939,041              | 84,121                    | 91,719            | 1,114,881            |
| Printing                                   | 331,849              | 20,789                    | 82,579            | 435,217              |
| Postage and shipping                       | 239,071              | 23,878                    | 39,961            | 302,910              |
| Supplies                                   | 697,261              | 75,896                    | 7,028             | 780,185              |
| Occupancy                                  | 226,998              | 41,119                    | -                 | 268,117              |
| Repairs and maintenance                    | 260,896              | 23,926                    | -                 | 284,822              |
| Telephone                                  | 39,772               | 40,267                    | 3,611             | 83,650               |
| Insurance                                  | 65,830               | 8,935                     | 291               | 75,056               |
| Rent                                       | 130,040              | 15,778                    | 774               | 146,592              |
| Depreciation                               | 377,954              | 57,544                    | -                 | 435,498              |
| Donated materials and gifts                | 215,192              | 10,493                    | 10,509            | 236,194              |
| Miscellaneous                              | 86,741               | 156,883                   | 17,166            | 260,790              |
| <b>Total functional expenses</b>           | <b>\$ 12,004,243</b> | <b>\$ 1,754,672</b>       | <b>\$ 795,270</b> | <b>\$ 14,554,185</b> |

## Statement of Functional Expenses

**Year Ended May 31, 2017**

|  | Program<br>Services  | Support Services          |                   | Total                |
|--|----------------------|---------------------------|-------------------|----------------------|
|  |                      | Management<br>and General | Fundraising       |                      |
| Salaries                                   | \$ 5,160,317         | \$ 1,014,308              | \$ 384,065        | \$ 6,558,690         |
| Employee benefits                          | 536,171              | 71,376                    | 674               | 608,221              |
| Payroll taxes                              | 286,413              | 66,917                    | 22,575            | 375,905              |
| <b>Total salaries and related expenses</b> | <b>5,982,901</b>     | <b>1,152,601</b>          | <b>407,314</b>    | <b>7,542,816</b>     |
| Radio                                      | 922,219              | -                         | -                 | 922,219              |
| Cost of sales                              | 420,998              | -                         | -                 | 420,998              |
| Marketing and promotions                   | 104,465              | 3,020                     | 2,491             | 109,976              |
| Internet                                   | 151,930              | 53,593                    | 1,759             | 207,282              |
| Travel                                     | 856,161              | 31,794                    | 50,928            | 938,883              |
| Contract and professional fees             | 1,593,395            | 60,457                    | 78,328            | 1,732,180            |
| Printing                                   | 384,943              | 32,986                    | 88,817            | 506,746              |
| Postage and shipping                       | 315,141              | 21,130                    | 36,675            | 372,946              |
| Supplies                                   | 757,848              | 77,313                    | 4,641             | 839,802              |
| Occupancy                                  | 186,510              | 34,619                    | -                 | 221,129              |
| Repairs and maintenance                    | 192,425              | 22,958                    | -                 | 215,383              |
| Telephone                                  | 49,517               | 51,520                    | 5,602             | 106,639              |
| Insurance                                  | 65,898               | 10,846                    | 70                | 76,814               |
| Rent                                       | 219,160              | 11,665                    | 2                 | 230,827              |
| Depreciation                               | 358,102              | 59,018                    | -                 | 417,120              |
| Donated materials and gifts                | 271,503              | 6,081                     | 11,852            | 289,436              |
| Miscellaneous                              | 91,953               | 132,480                   | 16,947            | 241,380              |
| <b>Total functional expenses</b>           | <b>\$ 12,925,069</b> | <b>\$ 1,762,081</b>       | <b>\$ 705,426</b> | <b>\$ 15,392,576</b> |

**Statement of Cash Flows**

**Years Ended May 31, 2018 and 2017**

|   | 2018         | 2017         |
|---|--------------|--------------|
| <b>Cash Flows from Operating Activities</b>   |              |              |
| Decrease in net assets  | \$ (121,301) | \$ (484,185) |
| Adjustments to reconcile decrease in net assets to net cash and cash equivalents from operating activities: |              |              |
| Depreciation  | 435,498      | 417,120      |
| Gain on sale of disposal of property and equipment  | (12,000)     | (786)        |
| Realized and unrealized loss on investments   | 4,789        | 11,174       |
| Donated property and equipment  | (106,872)    | (33,718)     |
| Donated investments   | (123,111)    | (56,959)     |
| Donated gifts in kind   | (57,847)     | (34,057)     |
| Changes in operating assets and liabilities which provided (used) cash and cash equivalents:                |              |              |
| Accounts receivable   | 34,667       | (67,765)     |
| Contributions receivable  | (138,538)    | 176,466      |
| Inventories   | 3,578        | 67,160       |
| Prepaid expenses and other  | 90,109       | 109,242      |
| Accounts payable and accrued expenses   | (39,732)     | 34,333       |
| Deferred revenue  | 640,227      | (272,116)    |
| Employee health plan  | 32,180       | 4,277        |
| Compensation-related accrued liabilities and other  | 7,245        | 21,798       |
|   | 648,892      | (108,016)    |
| Net cash and cash equivalents provided by (used in) operating activities                                    |              |              |
| <b>Cash Flows from Investing Activities</b>   |              |              |
| Purchase of property and equipment  | (132,432)    | (307,311)    |
| Proceeds from disposition of property and equipment   | 12,000       | 8,500        |
| Purchases of investments  | -            | (60,000)     |
| Proceeds from sales and maturities of investments   | 72,585       | 508,131      |
| Proceeds received from notes receivable   | 24,848       | 24,848       |
|   | (22,999)     | 174,168      |
| Net cash and cash equivalents (used in) provided by investing activities                                    |              |              |
| <b>Net Increase in Cash and Cash Equivalents</b>  | 625,893      | 66,152       |
| <b>Cash and Cash Equivalents - Beginning of year</b>  | 2,161,454    | 2,095,302    |
| <b>Cash and Cash Equivalents - End of year</b>  | \$ 2,787,347 | \$ 2,161,454 |



**Note 1 - Nature of Business**

Life Action Ministries (the "Organization") is an evangelical Christian organization that creates innovative ministry contexts and resources to help Christ-followers grow spiritually in their relationship with Jesus and their ability to live like Him. Currently, its activities include ministry teams that travel to local churches, a retreat center dedicated to strengthening vocational ministers, a camp that offers year-round programming related to the family, collegiate outreach that focuses on helping young believers experience their faith, an international women's ministry and syndicated radio program, and an array of print, web, and media resources.

**Note 2 - Significant Accounting Policies**

***Cash Equivalents***

The Organization considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

***Concentration of Credit Risk***

The Organization places no limit on the amount of cash that may be deposited with any one financial institution. Approximately 57 percent of the Organization's cash is deposited with one financial institution. The Organization evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

***Investments***

The Organization accounts for its investments in mutual funds and an exchange-traded fund at fair value using readily determinable fair values, with gains and losses included in the statement of activities and changes in net assets. Certificates of deposit are recorded at cost.

***Accounts Receivable***

Accounts receivable consist of anticipated reimbursements for costs advanced to customers by the Organization. Based on management's review of outstanding receivable balances and historical collection information, management's best estimate is that all balances will be collected. Accordingly, the Organization has not established an allowance for doubtful accounts.

***Contributions Receivable***

Contributions receivable result from unconditional promises to contribute funds and are recorded at the net present value of the expected cash flows. Contributions receivable at May 31, 2018 and 2017 are expected to be collected within one year. The Organization has recorded an allowance for doubtful accounts of approximately \$35,000 and \$20,000 for the years ended May 31, 2018 and 2017, respectively.

***Inventories***

Inventories are stated at the lower of cost or net realizable value, with cost determined on the first-in, first-out (FIFO) method. Inventories consist primarily of religious books, compact discs, and digital video discs.

As of June 1, 2017, the Organization adopted new guidance related to the measurement of inventories. Under the new guidance, inventories are measured at the lower of cost or net realizable value (NRV), with NRV based on selling prices in the ordinary course of business, less costs of completion, disposal, and transportation. In 2017 and previous years, inventories were measured at the lower of cost or market, with market value generally based on replacement costs, adjusted for other factors. The prior period has not been restated.

**Note 2 - Significant Accounting Policies (Continued)**

***Property and Equipment***

Property and equipment are recorded at cost. The fair value of donated assets is similarly capitalized. The straight-line method is used for computing depreciation. Assets are depreciated over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

***Deferred Revenue***

Revenue from registrations for certain types of conferences and programs is deferred and recognized as income over the period of the conference or program.

***Classification of Net Assets***

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired or been fulfilled.

Temporarily restricted net assets consist of contributions received with donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements.

Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. There are no permanently restricted net assets as of May 31, 2018 and 2017.

Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets.

***Contributions***

Unconditional promises to give cash and other assets to the Organization are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports the expiration of donor restrictions when the assets are placed in service.

Contribution revenue from related parties, mainly officers and the board of directors, represents approximately 3 and 4 percent of total contributions and grants for the years ended May 31, 2018 and 2017, respectively.

***Promotion and Advertising Expenses***

Promotion and advertising costs are expensed as incurred.

**Note 2 - Significant Accounting Policies (Continued)**

***Retirement Plan***

The Organization sponsors two separate 401(k) plans for full-time employees who become eligible after working 360 hours in three consecutive months of employment or the completion of one year of service defined as 1,000 hours. The plans provide for a matching contribution by the Organization of 100 percent of employee contributions up to 3 percent of the employees' compensation. The amounts charged to expense during the years ended May 31, 2018 and 2017 amounted to \$107,483 and \$78,670, respectively.

***Income Taxes***

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, contributions to the Organization are deductible by the donor for federal income tax purposes.

***Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and support services benefited. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different results.

***Restatement***

The statement of financial position as of May 31, 2017 has been restated to reduce cash and other liabilities by approximately \$526,000. The restatement resulted from a payroll accrual that was paid prior to May 31, 2017. The restatement had no impact on total net assets, revenue, or expenses.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including August 23, 2018, which is the date the financial statements were available to be issued.

***Upcoming Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending May 31, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization is reviewing its various revenue streams and does not feel this standard will have a significant impact on the timing of revenue recognition. However, the Organization does expect to have expanded disclosures as a result of the new standard.

**Note 2 - Significant Accounting Policies (Continued)**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Organization's year ending May 31, 2019 and thereafter, and must be applied on a retrospective basis. The Organization is currently gathering the appropriate information to implement these disclosure changes in a timely manner and expects an increase in disclosures for liquidity, including qualitative and quantitative information, a limited impact on the classification of net assets, and enhanced disclosures of the Organization's allocation method for functional classification of expenses.

**Note 3 - Investments**

Investments stated at fair value at May 31 include the following:

|                         | 2018                | 2017                |
|-------------------------|---------------------|---------------------|
| Mutual funds            | \$ 1,206,100        | \$ 1,168,827        |
| Certificates of deposit | 60,000              | 60,000              |
| Equity securities       | 8,464               | -                   |
| Total                   | <u>\$ 1,274,564</u> | <u>\$ 1,228,827</u> |

**Note 4 - Property and Equipment**

Property and equipment are summarized as follows:

|                                     | 2018                | 2017                | Depreciable<br>Life - Years |
|-------------------------------------|---------------------|---------------------|-----------------------------|
| Land and land improvements          | \$ 1,920,151        | \$ 1,909,579        | 15                          |
| Buildings and building improvements | 7,760,162           | 7,687,972           | 3-40                        |
| Machinery and equipment - Cost      | 1,526,081           | 1,519,438           | 2-10                        |
| Transportation equipment - Cost     | 1,387,800           | 1,264,226           | 5                           |
| Construction in progress            | -                   | 63,676              | -                           |
| Total cost                          | <u>12,594,194</u>   | <u>12,444,891</u>   |                             |
| Less accumulated depreciation       | <u>6,222,849</u>    | <u>5,877,352</u>    |                             |
| Net property and equipment          | <u>\$ 6,371,345</u> | <u>\$ 6,567,539</u> |                             |

Depreciation expense for 2018 and 2017 was \$435,498 and \$417,120, respectively.

**Note 5 - Line of Credit**

The Organization has a \$500,000 available line of credit from a bank collateralized by the land and building. The line of credit bears interest at the bank's prime rate and renews on November 1, 2018. The Organization had no outstanding balances on the line of credit as of May 31, 2018 and 2017.

**Note 6 - Temporarily Restricted Net Assets**

Temporarily restricted net assets as of May 31 are available for the following specific purposes:

|  | 2018              | 2017              |
|--|-------------------|-------------------|
| Purpose restrictions:                        |                   |                   |
| Reserve for future departmental projects     | \$ 97,441         | \$ 56,101         |
| Lodge Scholarship Fund                       | 75,273            | 76,595            |
| Bunkhouse camp capital project               | 43,538            | -                 |
| Time restrictions - Contributions receivable | 258,838           | 120,300           |
| Total temporarily restricted net assets      | <u>\$ 475,090</u> | <u>\$ 252,996</u> |

**Note 7 - Employee Health Plans**

The Organization offers two health plans to full-time staff. These plans are partially self-insured with a \$95,000 stop-loss per participant.

The total amount of claims paid for the years ended May 31, 2018 and 2017 was approximately \$1,108,000 and \$980,000, respectively. The premium expenses (net of recoveries) were approximately \$(160,000) and \$(130,000) for the years ended May 31, 2018 and 2017, respectively. The employees' portion of these costs was approximately \$371,000 and \$408,000 for the years ended May 31, 2018 and 2017, respectively. The amount of claims incurred but not reported totals approximately \$63,000 and \$31,000 as of May 31, 2018 and 2017, respectively, and is reported on the statement of financial position.

**Note 8 - Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Organization's policy is to recognize transfers between levels of the fair value hierarchy as of the actual date of the event of change in circumstances that caused the transfer. There were no transfers between levels of the fair value hierarchy during 2018 and 2017.

The Organization measures the domestic large value mutual funds and equity securities held (see Note 3) at fair value on a recurring basis. The fair value of these investments is based primarily on Level 1 inputs, as described above.

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## Additional Information

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### Independent Auditor's Report on Additional Information

To the Board of Directors  
Life Action Ministries

We have audited the financial statements of Life Action Ministries as of and for the years ended May 31, 2018 and 2017 and have issued our report thereon dated August 23, 2018, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the 2018 financial statements as a whole. The accompanying statements of financial position by fund and activities and changes in net assets by fund are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the 2018 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2018 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2018 financial statements as a whole.

*Plante & Moran, PLLC*

August 23, 2018

**Life Action Ministries**

**Statement of Financial Position by Fund**

**May 31, 2018**

|  | Life Action         | Revive Our<br>Hearts | Eliminating<br>Entries | Total                |
|--|---------------------|----------------------|------------------------|----------------------|
| <b>Assets</b>                                      |                     |                      |                        |                      |
| Cash and cash equivalents                          | \$ 806,268          | \$ 1,981,079         | \$ -                   | \$ 2,787,347         |
| Investments  | 654,052             | 620,512              | -                      | 1,274,564            |
| Receivables:                                       |                     |                      |                        |                      |
| Accounts receivable                                | 490,985             | 40,404               | (464,476)              | 66,913               |
| Contributions receivable - Net                     | 258,838             | -                    | -                      | 258,838              |
| Inventories  | 115,448             | 218,639              | -                      | 334,087              |
| Prepaid and other                                  | 63,947              | 33,131               | -                      | 97,078               |
| Property and equipment - Net                       | 6,217,541           | 153,804              | -                      | 6,371,345            |
| <b>Total assets</b>                                | <b>\$ 8,607,079</b> | <b>\$ 3,047,569</b>  | <b>\$ (464,476)</b>    | <b>\$ 11,190,172</b> |
| <b>Liabilities and Net Assets</b>                  |                     |                      |                        |                      |
| <b>Liabilities</b>                                 |                     |                      |                        |                      |
| Accounts payable and accrued expenses              | \$ 328,495          | \$ 564,421           | \$ (464,476)           | \$ 428,440           |
| Deferred revenue                                   | 527,583             | 779,751              | -                      | 1,307,334            |
| Employee health plan                               | 63,215              | -                    | -                      | 63,215               |
| Compensation-related accrued liabilities and other | 75,194              | 33,841               | -                      | 109,035              |
| <b>Total liabilities</b>                           | <b>994,487</b>      | <b>1,378,013</b>     | <b>(464,476)</b>       | <b>1,908,024</b>     |
| <b>Net Assets</b>                                  |                     |                      |                        |                      |
| Unrestricted                                       | 7,137,502           | 1,669,556            | -                      | 8,807,058            |
| Temporarily restricted                             | 475,090             | -                    | -                      | 475,090              |
| <b>Total net assets</b>                            | <b>7,612,592</b>    | <b>1,669,556</b>     | <b>-</b>               | <b>9,282,148</b>     |
| <b>Total liabilities and net assets</b>            | <b>\$ 8,607,079</b> | <b>\$ 3,047,569</b>  | <b>\$ (464,476)</b>    | <b>\$ 11,190,172</b> |



## Life Action Ministries

# Statement of Activities and Changes in Net Assets by Fund

Year Ended May 31, 2018

|   | Life Action         | Revive Our<br>Hearts | Total               |
|---|---------------------|----------------------|---------------------|
| <b>Changes in Unrestricted Net Assets</b>   |                     |                      |                     |
| Revenue and support:  |                     |                      |                     |
| Contributions   | \$ 6,305,860        | \$ 5,233,913         | \$ 11,539,773       |
| Sales of publications and merchandise (direct costs<br>of \$346,957 included in program service expenses) | 130,104             | 678,452              | 808,556             |
| Registrations and fees  | 1,071,116           | 334,792              | 1,405,908           |
| Investment income (loss)  | 32,718              | (174)                | 32,544              |
| Gain on sale of equipment   | 12,000              | -                    | 12,000              |
| Miscellaneous income  | 54,716              | 138,076              | 192,792             |
| Total revenue and support   | 7,606,514           | 6,385,059            | 13,991,573          |
| Net assets released from restrictions   | 203,717             | 15,500               | 219,217             |
| Total revenue, support, and net assets<br>released from restrictions                                      | 7,810,231           | 6,400,559            | 14,210,790          |
| Expenses:   |                     |                      |                     |
| Program expenses  | 6,889,946           | 5,114,297            | 12,004,243          |
| Support services:   |                     |                      |                     |
| Management and general  | 900,902             | 853,770              | 1,754,672           |
| Fundraising   | 358,457             | 436,813              | 795,270             |
| Total expenses  | 8,149,305           | 6,404,880            | 14,554,185          |
| <b>Decrease in Unrestricted Net Assets</b>  | (339,074)           | (4,321)              | (343,395)           |
| <b>Changes in Temporarily Restricted Net Assets</b>   |                     |                      |                     |
| Contributions   | 441,068             | -                    | 441,068             |
| Interest income   | 243                 | -                    | 243                 |
| Net assets released from restrictions   | (203,717)           | (15,500)             | (219,217)           |
| <b>Increase (Decrease) in Temporarily Restricted Net Assets</b>   | 237,594             | (15,500)             | 222,094             |
| <b>Decrease in Net Assets</b>   | (101,480)           | (19,821)             | (121,301)           |
| <b>Net Assets - Beginning of year</b>   | 7,714,072           | 1,689,377            | 9,403,449           |
| <b>Net Assets - End of year</b>   | <b>\$ 7,612,592</b> | <b>\$ 1,669,556</b>  | <b>\$ 9,282,148</b> |