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# Life Action Ministries

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**Financial Report  
with Additional Information  
May 31, 2020**

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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, 2020 and 2019 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 opinion.

### ***Opinion***

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

### ***Emphasis of Matters***

As described in Note 2 to the financial statements, the Organization has been impacted by the coronavirus pandemic. Our opinion is not modified with respect to this matter.

To the Board of Directors  
Life Action Ministries

As described in Note 2 to the financial statements, the Organization adopted the provisions of Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

*Plante & Moran, PLLC*

August 28, 2020

**Statement of Financial Position**

**May 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,795,217	\$ 3,450,017
Investments (Note 3)	1,885,601	359,432
Receivables:		
Accounts receivable	82,785	89,295
Contributions receivable - Net (Note 2)	145,800	254,100
Inventories	377,780	337,970
Prepaid and other	62,479	62,723
Property and equipment - Net (Note 4)	<u>6,313,312</u>	<u>6,323,738</u>
Total assets	<u><b>\$ 11,662,974</b></u>	<u><b>\$ 10,877,275</b></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 428,746	\$ 511,086
Deferred revenue	506,115	867,080
Employee health plan (Note 8)	68,378	65,517
Compensation-related accrued liabilities and other liabilities	195,509	99,446
Paycheck Protection Program refundable advance (Note 5)	<u>1,565,717</u>	<u>-</u>
Total liabilities	2,764,465	1,543,129
<b>Net Assets</b>		
Without donor restrictions	8,386,515	8,762,282
With donor restrictions (Note 7)	<u>511,994</u>	<u>571,864</u>
Total net assets	<u>8,898,509</u>	<u>9,334,146</u>
Total liabilities and net assets	<u><b>\$ 11,662,974</b></u>	<u><b>\$ 10,877,275</b></u>

## Life Action Ministries

# Statement of Activities and Changes in Net Assets

Years Ended May 31, 2020 and 2019

	2020	2019
<b>Changes in Net Assets without Donor Restrictions</b>		
Revenue and support:		
Registrations and fees	\$ 1,767,008	\$ 1,945,846
Sales of publications and merchandise (direct costs of \$464,644 and \$367,698 for the years ended May 31, 2020 and 2019, respectively, included in program expenses)	1,067,022	1,003,641
Contributions	12,745,592	12,035,772
Investment income	12,243	39,794
Gain on sale of property and equipment	28,442	121,508
Miscellaneous income	80,381	337,238
Total revenue and support	15,700,688	15,483,799
Net assets released from restrictions	393,884	411,425
Total revenue, support, and net assets released from restrictions	16,094,572	15,895,224
Expenses:		
Program services	13,402,467	13,045,533
Support services:		
Management and general	2,167,906	2,014,188
Fundraising	899,966	880,279
Total expenses	16,470,339	15,940,000
<b>Decrease in Net Assets without Donor Restrictions</b>	(375,767)	(44,776)
<b>Changes in Net Assets with Donor Restrictions</b>		
Contributions	332,917	507,957
Interest income	1,097	242
Net assets released from restrictions	(393,884)	(411,425)
<b>(Decrease) Increase in Net Assets with Donor Restrictions</b>	(59,870)	96,774
<b>(Decrease) Increase in Net Assets</b>	(435,637)	51,998
<b>Net Assets - Beginning of year</b>	9,334,146	9,282,148
<b>Net Assets - End of year</b>	<b>\$ 8,898,509</b>	<b>\$ 9,334,146</b>

**Statement of Functional Expenses**

**Year Ended May 31, 2020**

	Program Services	Support Services		Total
		Management and General	Fundraising	
Salaries	\$ 5,678,037	\$ 1,031,964	\$ 396,838	\$ 7,106,839
Employee benefits	867,188	198,349	59,186	1,124,723
Payroll taxes	318,158	83,280	24,311	425,749
<b>Total salaries and related expenses</b>	<b>6,863,383</b>	<b>1,313,593</b>	<b>480,335</b>	<b>8,657,311</b>
Radio	1,039,787	-	-	1,039,787
Cost of sales	464,644	-	-	464,644
Marketing and promotions	47,108	2,000	1,205	50,313
Internet	182,876	24,480	8,107	215,463
Travel	675,058	86,683	82,401	844,142
Contract and professional services	1,293,176	165,528	117,050	1,575,754
Printing	376,318	32,730	82,974	492,022
Postage and shipping	267,823	23,896	36,255	327,974
Supplies	811,131	104,336	21,831	937,298
Occupancy	272,391	46,467	14,230	333,088
Repairs and maintenance	209,143	18,533	4,714	232,390
Telephone	39,978	39,966	4,111	84,055
Insurance	55,398	20,477	1,772	77,647
Rent	100,144	8,101	4,321	112,566
Depreciation	397,824	57,753	18,102	473,679
Donated materials and gifts	224,475	12,986	8,817	246,278
Miscellaneous	81,810	210,377	13,741	305,928
<b>Total functional expenses</b>	<b>\$ 13,402,467</b>	<b>\$ 2,167,906</b>	<b>\$ 899,966</b>	<b>\$ 16,470,339</b>

**Statement of Functional Expenses**

**Year Ended May 31, 2019**

	Program Services	Support Services		Total
		Management and General	Fundraising	
Salaries	\$ 5,438,559	\$ 1,013,665	\$ 435,320	\$ 6,887,544
Employee benefits	599,214	187,887	42,629	829,730
Payroll taxes	286,103	84,091	25,545	395,739
<b>Total salaries and related expenses</b>	<b>6,323,876</b>	<b>1,285,643</b>	<b>503,494</b>	<b>8,113,013</b>
Radio	911,968	-	-	911,968
Cost of sales	367,698	-	-	367,698
Marketing and promotions	58,040	6,888	3,740	68,668
Internet	137,675	31,286	11,009	179,970
Travel	884,454	72,678	99,480	1,056,612
Contract and professional fees	1,394,847	106,925	61,013	1,562,785
Printing	404,225	20,454	79,949	504,628
Postage and shipping	278,286	27,600	34,671	340,557
Supplies	837,603	95,657	19,443	952,703
Occupancy	263,483	28,391	9,475	301,349
Repairs and maintenance	273,536	28,236	6,623	308,395
Telephone	39,508	38,975	4,239	82,722
Insurance	53,519	21,902	2,099	77,520
Rent	110,722	7,995	5,317	124,034
Depreciation	356,776	55,000	18,333	430,109
Donated materials and gifts	279,120	15,383	8,306	302,809
Miscellaneous	70,197	171,175	13,088	254,460
<b>Total functional expenses</b>	<b>\$ 13,045,533</b>	<b>\$ 2,014,188</b>	<b>\$ 880,279</b>	<b>\$ 15,940,000</b>

**Statement of Cash Flows**

**Years Ended May 31, 2020 and 2019**

	2020	2019
<b>Cash Flows from Operating Activities</b>		
(Decrease) increase in net assets	\$ (435,637)	\$ 51,998
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	473,679	430,109
Gain on sale of property and equipment	(28,442)	(121,508)
Realized and unrealized loss on investments	39,106	7,090
Donated property and equipment	(7,946)	(66,893)
Donated investments	(278,206)	(47,406)
Donated gifts in kind	(11,916)	(2,940)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Accounts receivable	6,510	(22,382)
Contributions receivable	108,300	4,738
Inventories	(39,810)	(3,883)
Prepaid expenses and other	(11,672)	20,471
Accounts payable and accrued expenses	(82,340)	82,646
Deferred revenue	(360,965)	(440,254)
Employee health plan	2,861	2,302
Compensation-related accrued liabilities and other liabilities	96,063	(9,589)
Paycheck Protection Program refundable advance	1,565,717	-
Net cash and cash equivalents provided by (used in) operating activities	1,035,302	(115,501)
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(461,261)	(329,326)
Proceeds from disposition of property and equipment	34,396	135,225
Purchases of investments	(1,681,628)	-
Proceeds from sales and maturities of investments	418,391	955,448
Proceeds received from notes receivable	-	16,824
Net cash and cash equivalents (used in) provided by investing activities	(1,690,102)	778,171
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(654,800)	662,670
<b>Cash and Cash Equivalents - Beginning of year</b>	3,450,017	2,787,347
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 2,795,217</b>	<b>\$ 3,450,017</b>

**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 56 percent of the Organization's cash and investments are 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 and money market funds 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, 2020 and 2019 are expected to be collected within one year. The Organization has recorded an allowance for doubtful accounts of \$6,000 and \$15,000 for the years ended May 31, 2020 and 2019, 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.

***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.

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

***Paycheck Protection Program Refundable Advance***

Funding received under the Paycheck Protection Program (PPP) is considered a nonexchange transaction and is recognized as the conditions of the PPP agreement are met. Funding received in advance of conditions being met is recorded as a refundable advance. See Note 5 for additional information on the terms and conditions of the PPP agreement.

***Classification of Net Assets***

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, wherein the donor has stipulated the funds be maintained in perpetuity. There are no funds to be maintained in perpetuity as of May 31, 2020 and 2019.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

***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 becomes unconditional or is received. The gifts are reported as contributions with donor restrictions 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 the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 in the year in which the contributions are received are reported as contributions without donor restrictions in the accompanying financial statements.

The Organization reports gifts of property and equipment as contributions without donor restrictions 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 support with donor restrictions. 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 5 and 4 percent of total contributions and grants for the years ended May 31, 2020 and 2019, 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, 2020 and 2019 amounted to \$115,177 and \$81,652, 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***

Costs of providing the various programs and other activities have been reported on a functional basis in the statements of activities and changes in net assets and functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort. Other expenses that are not directly attributable to a certain function, such as some occupancy, utilities, training, professional services, insurance, and supplies, are also allocated on the basis of time and effort. Costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

***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.

***COVID-19***

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

On March 23, 2020, a shelter-in-place order became effective in Michigan. The Organization closed its office and began its remote work environment for all employees until the order was lifted on June 12, 2020. Despite the order being lifted, the Organization has opened its offices with limited capacity and has encouraged the continuation of the remote work environment. The Organization continues to follow applicable COVID-19 guidelines. The Life Action Road Team activities were also put on hold during this time but are expected to return to regular activities in September 2020.

On May 19, 2020, the Organization canceled all Life Action Family Camp activities through July 4, 2020. Families impacted have been given options to reschedule, postpone to 2021, receive a refund, or donate their deposits to the Organization. In July 2020, a modified family camp program began for registered families, which includes optional family-led devotional activities. The lodge was also opened and is available for planned events.

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

The biennial conference True Woman '20 has been postponed from 2020 to 2022. Registrants have been given options to postpone to 2022, apply registration to substitute conferences in 2021, receive a refund, or donate their deposits to the Organization. Management is working through the details of the postponement. These disruptions in normal operations have negatively impacted expected revenue from registrations and fees and sales of publications and merchandise.

No impairments were recorded as of the statement of financial position date. As uncertainty exists, management continues to monitor the situation for future decisions and judgments. In addition, while the Organization's future results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

**Subsequent Events**

The financial statements and related disclosures include evaluation of events up through and including August 28, 2020, which is the date the financial statements were available to be issued.

**Adoption of New Accounting Pronouncement**

As of June 1, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Organization adopted the new standard on a modified prospective basis; however, it did not impact the recognition of contribution and grant agreements received. The adoption of the ASU did not result in a restatement of the 2019 financial information, as there was no change to the timing of revenue recognition for existing agreements.

**Upcoming Accounting Pronouncement**

In May 2014, the Financial Accounting Standards Board (FASB) issued 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, 2021. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Organization is reviewing its various revenue streams and believes this standard will not have a significant impact on the timing of revenue recognition. The Organization is continuing to assess all potential impacts and does expect enhanced disclosures relating to revenue recognition.

**Note 3 - Investments**

Investments stated at May 31 include the following:

	2020	2019
Certificates of deposit	\$ 1,069,307	\$ 60,703
Money market funds - U.S. Treasury obligations	695,971	-
Mutual funds - At fair value	120,323	288,818
Equity securities - At fair value	-	9,911
<b>Total</b>	<b>\$ 1,885,601</b>	<b>\$ 359,432</b>

**Note 4 - Property and Equipment**

Property and equipment are summarized as follows:

	2020	2019	Depreciable Life - Years
Land and land improvements	\$ 1,947,284	\$ 1,936,126	15
Buildings and building improvements	7,953,776	7,780,303	3-40
Machinery and equipment	1,805,891	1,670,511	2-10
Transportation equipment	1,518,327	1,435,458	5
Construction in progress	21,094	45,344	-
<b>Total cost</b>	<b>13,246,372</b>	<b>12,867,742</b>	
<b>Less accumulated depreciation</b>	<b>6,933,060</b>	<b>6,544,004</b>	
<b>Net property and equipment</b>	<b>\$ 6,313,312</b>	<b>\$ 6,323,738</b>	

Depreciation expense for 2020 and 2019 was \$473,679 and \$430,109, respectively.

**Note 5 - Paycheck Protection Program Refundable Advance**

The Organization received a Paycheck Protection Program (PPP) term note through one of its financial institutions of \$1,565,717. The note was issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act's PPP. The note structure required organization officials to certify certain statements that permitted the Organization to qualify for the loan and provides loan forgiveness for a portion or all of the borrowed amount if the Organization uses the loan proceeds for the permitted loan purpose described in the note agreement; the portion not forgiven will be required to be paid back by the Organization in full in April 2022 under 18 equal monthly principal payments beginning in November 2020, with interest at 1.00 percent. The Organization has the right to prepay any amount outstanding at any time without penalty. This loan will continue to help the Organization fund payroll, benefits, and building utility costs.

While the legal form of the PPP agreement is a loan, the Organization concluded the loan represents, in substance, a grant that is expected to be forgiven and, therefore, has accounted for the agreement as a conditional contribution. The following measurable barriers must be substantially overcome before the contribution can be considered unconditional and recorded as revenue:

- Incur eligible expenses.
- Maintain full-time equivalent counts and salary levels through the eligibility period.
- Small Business Administration review and approval of the forgiveness application

As these barriers were not yet met as of May 31, 2020, the full balance of the loan is recorded as a refundable advance.

**Note 6 - Line of Credit**

During fiscal year 2020, the Organization opened a \$500,000 line of credit from a bank, which is secured by all assets of the Organization. The line of credit bears interest at the bank's prime rate less 0.5 percent and renews on November 27, 2020. Per the agreement, the Organization must maintain no less than \$1,000,000 in cash accounts or marketable securities. The Organization had no outstanding balances on the line of credit as of May 31, 2020.

May 31, 2020 and 2019

**Note 7 - Net Assets**

Net assets with donor restrictions as of May 31 are available for the following purposes:

	2020	2019
Purpose restrictions:		
Reserve for future departmental projects	\$ 174,156	\$ 138,944
Lodge Scholarship Fund	80,959	66,415
Capital projects	111,079	112,405
Time restrictions - Contributions receivable	145,800	254,100
	<u>\$ 511,994</u>	<u>\$ 571,864</u>

**Note 8 - 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, 2020 and 2019 was approximately \$1,167,000 and \$887,000, respectively. The premium expenses (net of recoveries) were approximately \$117,000 and \$178,000 for the years ended May 31, 2020 and 2019, respectively. The employees' portion of these costs was approximately \$379,000 and \$388,000 for the years ended May 31, 2020 and 2019, respectively. The amount of claims incurred but not reported totals approximately \$68,000 and \$66,000 as of May 31, 2020 and 2019, respectively, and is reported as employee health plan liability on the statement of financial position.

**Note 9 - 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 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 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. 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.

In instances where 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.

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 2020 and 2019.

The Organization measures the 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.

Notes to Financial Statements

May 31, 2020 and 2019

**Note 10 - Liquidity and Availability of Resources**

The following reflects the Organization's financial assets as of May 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,795,217	\$ 3,450,017
Accounts receivable	82,785	89,295
Contributions receivable	145,800	254,100
Short-term investments	<u>1,885,601</u>	<u>359,432</u>
Financial assets - At year end	4,909,403	4,152,844
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions - Restricted by donor with time or purpose restrictions	<u>366,194</u>	<u>317,764</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,543,209</u>	<u>\$ 3,835,080</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments.

The Organization also realizes there could be unanticipated liquidity needs.

The Organization has a committed line of credit in the amount of \$500,000 at May 31, 2020, which it could draw upon if needed, as further described in Note 6.

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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, 2020 and 2019 and have issued our report thereon dated August 28, 2020, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the 2020 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 2020 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2020 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 2020 financial statements as a whole.

*Plante & Moran, PLLC*

August 28, 2020

**Statement of Financial Position by Fund**

**May 31, 2020**

	Life Action	Revive Our Hearts	Eliminating Entries	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 2,372,275	\$ 422,942	\$ -	\$ 2,795,217
Investments	267,434	1,618,167	-	1,885,601
Receivables:				
Accounts receivable	457,303	123,110	(497,628)	82,785
Contributions receivable - Net	70,800	75,000	-	145,800
Total receivables	528,103	198,110	(497,628)	228,585
Inventories	103,727	274,053	-	377,780
Prepaid and other	48,279	14,200	-	62,479
Property and equipment - Net - Land	6,162,893	150,419	-	6,313,312
Total assets	<b>\$ 9,482,711</b>	<b>\$ 2,677,891</b>	<b>\$ (497,628)</b>	<b>\$ 11,662,974</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 329,846	\$ 596,528	\$ (497,628)	\$ 428,746
Deferred revenue	384,825	121,290	-	506,115
Employee health plan	68,378	-	-	68,378
Compensation-related accrued liabilities and other liabilities	152,984	42,525	-	195,509
Paycheck Protection Program refundable advance	1,565,717	-	-	1,565,717
Total liabilities	2,501,750	760,343	(497,628)	2,764,465
<b>Net Assets</b>				
Without donor restrictions	6,625,435	1,761,080	-	8,386,515
With donor restrictions	355,526	156,468	-	511,994
Total net assets	6,980,961	1,917,548	-	8,898,509
Total liabilities and net assets	<b>\$ 9,482,711</b>	<b>\$ 2,677,891</b>	<b>\$ (497,628)</b>	<b>\$ 11,662,974</b>

## Life Action Ministries

# Statement of Activities and Changes in Net Assets by Fund

Year Ended May 31, 2020

	Life Action	Revive Our Hearts	Total
<b>Changes in Net Assets without Donor Restrictions</b>			
Revenue and support:			
Registrations and fees	\$ 1,118,649	\$ 648,359	\$ 1,767,008
Sales of publications and merchandise (direct costs of \$464,644 included in program services expenses)	106,092	960,930	1,067,022
Contributions	6,539,122	6,206,470	12,745,592
Investment income	(16,027)	28,270	12,243
Gain on sale of property and equipment	28,442	-	28,442
Miscellaneous income	55,209	25,172	80,381
Total revenue and support	7,831,487	7,869,201	15,700,688
Net assets released from restrictions	343,884	50,000	393,884
Total revenue, support, and net assets released from restrictions	8,175,371	7,919,201	16,094,572
Expenses:			
Program services	7,091,055	6,311,412	13,402,467
Support services:			
Management and general	1,050,930	1,116,976	2,167,906
Fundraising	445,620	454,346	899,966
Total expenses	8,587,605	7,882,734	16,470,339
<b>(Decrease) Increase in Net Assets without Donor Restrictions</b>	(412,234)	36,467	(375,767)
<b>Changes in Net Assets with Donor Restrictions</b>			
Contributions	236,449	96,468	332,917
Investment income	1,097	-	1,097
Net assets released from restrictions	(343,884)	(50,000)	(393,884)
<b>(Decrease) Increase in Net Assets with Donor Restrictions</b>	(106,338)	46,468	(59,870)
<b>(Decrease) Increase in Net Assets</b>	(518,572)	82,935	(435,637)
<b>Net Assets - Beginning of year</b>	7,499,533	1,834,613	9,334,146
<b>Net Assets - End of year</b>	<b>\$ 6,980,961</b>	<b>\$ 1,917,548</b>	<b>\$ 8,898,509</b>