Touching Lives, Inc.

FINANCIAL STATEMENTS

September 30, 2023

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REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Touching Lives, Inc.

Opinion

We have audited the accompanying financial statements of Touching Lives, Inc. (a nonprofit organization herein after referred to as the Ministry), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Touching Lives, Inc. as of September 30, 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ministry’s ability to continue as a going concern for a reasonable period of time.

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Atlanta, Georgia
August 17, 2024

FINANCIAL STATEMENTS

September 30,		2023
Assets		
Cash and cash equivalents	$	162,315
Prepaid expenses and other assets		86,979
Investments in marketable securities		1,392,372
Property and equipment, net		8,071
Total assets	$	1,649,737
Liabilities and Net Assets		
Accounts payable	$	10,475
Accrued expenses		25,814
Performance obligation liabilities		35,652
Total liabilities		71,941
Net assets		
Without donor restrictions		1,577,796
Total net assets		1,577,796
Total liabilities and net assets	$	1,649,737

For the year ended September 30,		2023
Revenue and Other Support		
Without donor restrictions		
Contributions	$	2,144,747
Conference income		67,548
Product sales		13,037
Contributions of non-financial assets		24,000
Investment income (loss), net		146,109
Other income		2,032
Total revenue and other support without donor restrictions		2,397,473
Expenses		
Program services		1,856,391
Supporting services		
General and administrative		315,091
Fundraising		129,035
Total supporting services		444,126
Total expenses		2,300,517
Change in net assets		96,956
Net assets without donor restrictions at beginning of year		1,480,840
Net assets without donor restrictions at end of year	$	1,577,796

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

Touching Lives, Inc.
Statement of Functional Expenses

For the year ended September 30, 2023

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Personnel Expenses				
Salaries	$ 32,688	$ 28,034	$ 4,173	$ 64,895
Payroll taxes and benefits	16,094	13,803	2,055	31,952
Total personnel expenses	48,782	41,837	6,228	96,847
Other Expenses				
Advertising and publicity	146,796	-	-	146,796
Air time	759,315	-	39,964	799,279
Answering service	12,953	-	-	12,953
Conferences	139,865	-	-	139,865
Cost of goods sold	806	-	-	806
Depreciation	5,198	2,354	118	7,670
Dues and subscriptions	-	2,335	-	2,335
Facilities	17,562	12,718	-	30,280
Financial fees	-	28,311	-	28,311
Insurance	-	29,662	-	29,662
Internet and website	15,674	-	-	15,674
Missions	2,500	-	-	2,500
Printing and postage	49,505	18,002	7,501	75,008
Production	125,747	-	13,972	139,719
Professional fees	491,719	165,573	61,252	718,544
Software and supplies	17,585	6,838	-	24,423
Travel and meals	22,384	7,461	-	29,845
Total expenses	$ 1,856,391	$ 315,091	$ 129,035	$ 2,300,517

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

For the year ended September 30,		2023
Operating Activities		
Change in net assets	$	96,956
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation		7,670
Unrealized and realized (gain) loss on investments		(110,318)
Changes in operating assets and liabilities		
Prepaid expenses and other assets		37,742
Accounts payable		7,060
Accrued expenses		(7,727)
Performance obligation liabilities		(12,622)
Net cash provided by (used in) operating activities		18,761
Investing Activities		
Purchase of property and equipment		(2,181)
Purchase of investments		(761,777)
Proceeds from sale of investments		21,808
Net cash provided by (used in) investing activities		(742,150)
Net change in cash and cash equivalents		(723,389)
Cash and cash equivalents, at beginning of year		885,704
Cash and cash equivalents, at end of year	$	162,315

Note 1: DESCRIPTION OF THE ORGANIZATION

Touching Lives, Inc. (the Ministry) is a nonprofit organization incorporated under the laws of the state of Georgia in May 1994. The Ministry is dedicated to spreading the Gospel of Jesus Christ, evangelizing the lost and encouraging the Christian through television broadcasts, literature, conferences and through the internet. The Ministry is supported through contributions from the general public and the congregation of The Church at Gwinnett Center, Inc. The television broadcasts are worship services as hosted by Dr. James Merritt.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, 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. Estimates that are particularly susceptible to significant change in the near term are related to the fair value of investments in marketable securities, depreciation methods and estimated useful lives assigned to the various classes of long-lived assets, contributions of non-financial assets and the allocation of expenses between program and supporting services.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Investments

The Ministry reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property and Equipment

All acquisitions of property and equipment in excess of $1,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The Ministry reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Ministry, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

There were no assets with donor restrictions for the year ended September 30, 2023.

Revenue Recognition

Revenue from conference income and product sales is recognized as revenue when performance obligations under the terms of the contract with customers are satisfied. Revenue received in advance is deferred and recognized over the periods to which the dates and fees relate. These amounts are included in performance obligation liabilities within the statement of financial position.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the conditions.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Ministry. Volunteers provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to salaries, payroll taxes and benefits are allocated based on actual percentages of time spent in each functional area. Expenses related to air time, facilities, printing and postage, production, professional fees, software and supplies and travel and meals are allocated across functional areas based on estimates of time and effort.

Advertising

The Ministry uses advertising to promote its program among the audiences it serves. The production cost of advertising are expenses as incurred. During the year ended September 30, 2023, advertising costs totaled $146,796.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the Ministry is exempt from taxes on income other than unrelated business income. The Ministry had no unrelated business income for the year ended September 30, 2023.

The Ministry utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes.* Using that guidance, tax positions initially need to be recognized in the financial statements when its more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of September 30, 2023, the Ministry has no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 17, 2024, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, which is often referred to as the CECL model, or current expected credit losses. Among other things, the amendments in this ASU require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

The Ministry adopted ASU 2016-13 on October 1, 2022. The impact of the adoption was not considered material to the financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (continued)

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Ministry adopted the standard effective October 1, 2022. The impact of the adoption was not considered material to the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* This ASU specifies requirements for the recognition and initial measurement of contributions and disclosure requirements for contributed services.

The Ministry adopted the standard effective October 1, 2022. The impact of the adoption was not considered material to the financial statements.

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

The Ministry maintains its financial assets primarily in cash and cash equivalents and investments to provide liquidity to ensure funds are available as the Ministry's expenditures come due. The following reflects the Ministry's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

September 30,	2023
Total assets at year end	$ 1,649,737
Less non-financial assets	
Prepaid expenses and other assets	(86,979)
Property and equipment, net	(8,071)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,554,687

The Ministry is principally supported by contributions without donor restrictions. The Ministry structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to financial assets available to meet general expenditures over the next twelve months, the Ministry operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Note 4: INVESTMENTS

Investments in marketable securities consist of the following:

September 30, 2023	Cost	Fair Value
Mutual funds and equity securities	$ 604,666	$ 655,312
Bonds and other fixed income securities	735,047	737,060
Total investments in marketable securities	$ 1,339,713	$ 1,392,372

Note 5: PROPERTY AND EQUIPMENT

The components of property and equipment consist of the following at September 30, 2023:

	Estimated Useful Lives (years)	
Furniture and office equipment	5-7	$ 1,928
Computer equipment and software	3-5	15,391
Television production equipment	3-7	285,734
Total depreciable property and equipment		303,053
Less accumulated depreciation		(294,982)
Total property and equipment, net		$ 8,071

Depreciation expense for the year ended September 30, 2023 amounted to $7,670.

Note 6: CONTRIBUTIONS OF NON-FINANCIAL ASSETS

All donated space was utilized by the Ministry's program and supporting services. There were no donor-imposed restrictions associated with the contributed space.

The components of donated space contributed to the Ministry consists of the following for the year ended September 30, 2023:

For the year ended September 30, 2023	Donated Space
Program services	$ 16,320
Supporting Services	
Management and general	7,680
Total contributed space and goods	$ 24,000

Donated space is valued at the fair value of similar properties available in commercial real estate listings.

Note 7: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets'
- Inputs, other than quoted prices, that are:
  - observable; or
  - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2023.

Mutual funds and equity securities: Valued at the daily closing price as reported by the fund. Mutual funds held by the Ministry are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily Net Asset Value (NAV) and to transact at that price. The mutual funds held by the Ministry are deemed to be actively traded.

Bonds and other fixed income securities: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. The bonds and securities are deemed to be actively traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Ministry believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 7: FAIR VALUE MEASUREMENTS (Continued)

Assets and liabilities measured at fair value on a recurring basis, consists of the following:

September 30, 2023	Level 1	Level 2	Level 3	Total
Mutual funds and equity securities	$ 655,312	$ -	$ -	$ 655,312
Bonds and other fixed income securities	737,060	-	-	737,060
Total investments at fair value	$ 1,392,372	$ -	$ -	$ 1,392,372

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets. For the year ended September 30, 2023, there was a significant transfer of approximately $725,000 into Level 1.

Note 8: REVENUE

The Ministry recognizes revenue at a point in time for conferences and product sales. The Ministry has an obligation to provide services and recognizes revenue when the obligations are satisfied. As of September 30, 2023, there are performance obligations to be satisfied of $35,652. At September 30, 2023, management expects to recognize $35,652 as revenue during the year ended September 30, 2024.

Contract liabilities related to contracts with customers consist of the following:

September 30,	2023
Contract liabilities	
Performance obligation liabilities, beginning of year	$ 48,274
Performance obligation liabilities, end of year	$ 35,652

Note 9: CONCENTRATIONS

The Ministry maintains cash deposits with financial institutions at September 30, 2023 in excess of federally insured limits of $19,349.

The Ministry's television broadcasting program related contributions and other income represented approximately 85% of its total revenues in fiscal year 2023. A significant portion of the Ministry's television broadcasting is provided by one television network which represented approximately 89% of its television broadcasting expense in fiscal year 2023.

Although the Ministry's continued television broadcasting is at the discretion of the television networks, management does not believe the Ministry will be terminated from its primary network broadcasting source. Additionally, management has made plans to further diversify its media presence and has developed a contingency plan in the case of unexpected termination.

Note 10: COMMITMENTS

Effective October 1, 2020, the Ministry entered into an agreement with a supporting services company to obtain finance, accounting, marketing and production services. This five-year agreement expires September 30, 2025, and thereafter automatically renews with a 30-day cancellation option by either party. In accordance with the agreement, if the Senior Pastor is no longer actively preaching, a new service agreement will be negotiated. Monthly base fees are $30,150 plus additional billed services as needed and shared revenue. Total expense for the year ended September 30, 2023 was $416,140.

Note 11: DEFINED CONTRIBUTION PLAN

The Ministry sponsors a 403(b) tax sheltered annuity defined contribution plan covering all full-time employees. Employees are eligible upon date of employment. The Ministry contributes a percentage of each employee's gross salary of 7%. Total expense for the year ended September 30, 2023 was $5,412.

Note 12: RELATED PARTIES

The Chairman of the Board and Chief Executive Officer (CEO) of the Ministry is also the Senior Pastor of Cross Pointe, The Church at Gwinnett Center, Inc. (Cross Pointe). The Board of Directors reviews and approves an annual fee which is paid to an LLC controlled by the CEO. During the year ended September 30, 2023, the Ministry paid $135,010 in compensation to the CEO's LLC for executive and other services.

During the year ended September 30, 2023, Cross Pointe donated approximately $19,490 in cash from its operating budget for support of the Ministry. Cross Pointe collects and periodically remits to the Ministry contributions received during its Sunday services on behalf of the Ministry, which totaled $98,070 for the year ended September 30, 2023. Cross Pointe also donated $24,000 of in-kind office space to the Ministry in the year ended September 30, 2023, as further described in Note 6. The Ministry paid Cross Pointe $25,195 during the year ended September 30, 2023 for facility and production expense.

Note 12: RELATED PARTIES (Continued)

During the year ended September 30, 2023, the Ministry incurred $416,140 in expenses for services provided by an organization owned by the Chief Financial Officer. This agreement is further described in Note 10.

During the year ended September 30, 2023, the Ministry paid to the son of the Chairman of the Board and Chief Executive Officer (CEO) of the Ministry $12,000 for editorial and sermon support and preparation. Additionally, during the year ended September 30, 2023, the Ministry paid to a company partially owned by the son $139,840 for public relations and communications.

A Board Member is the Financial Consultant for the Ministry’s investment accounts totaling $1,392,372 at September 30, 2023.