

CHANGEDLIVES.ORG

Financial Statements
For The Year Ended September 30, 2014

CHANGEDLIVES.ORG 2014

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THE BLEVINS GROUP

PLLC

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
ChangedLives.org:

We have audited the accompanying financial statements of ChangedLives.org ("Changed Lives") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Changed Lives as of September 30, 2014, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Blevins Group, PLLC

Wednesday
February 11, 2015

Statement of Financial Position
September 30, 2014

ASSETS

Cash	\$ 5,004,033
Investments	4,832,410
Property and equipment, net	<u>142,808</u>
Total assets	<u><u>\$ 9,979,251</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	<u>\$ 74,952</u>
Net assets:	
Unrestricted	9,547,539
Temporarily restricted	<u>356,760</u>
Total net assets	<u>9,904,299</u>
Total liabilities and net assets	<u><u>\$ 9,979,251</u></u>

Statement of Activities
Year Ended September 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support:				
Contributions	\$ 250,978	\$ —	\$ —	\$ 250,978
Investment income	119,672	475	—	120,147
Realized gain on investment	45,296	—	—	45,296
Unrealized gain (loss) on investment	259,486	(384)	—	259,102
Investment expense	(27,872)	—	—	(27,872)
Net assets released from restriction	27,150	(27,150)	—	—
Total revenues and other support	<u>674,710</u>	<u>(27,059)</u>	<u>—</u>	<u>647,651</u>
Expenses:				
Media ministries	745,846	—	—	745,846
Management and general (Note 7)	175,087	—	—	175,087
Fundraising expenses	82,407	—	—	82,407
Total expenses	<u>1,003,340</u>	<u>—</u>	<u>—</u>	<u>1,003,340</u>
Change in net assets	(328,630)	(27,059)	—	(355,689)
Transfer to reflect expiration of restrictions (Note 5)	2,621,728	—	(2,621,728)	
Net assets at beginning of year	<u>7,254,441</u>	<u>383,819</u>	<u>2,621,728</u>	<u>10,259,988</u>
Net assets at end of year	<u>\$ 9,547,539</u>	<u>\$ 356,760</u>	<u>\$ —</u>	<u>\$ 9,904,299</u>

Statement of Cash Flows
Year Ended September 30, 2014

Cash flows from operating activities:	
Change in net assets	\$ (355,689)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	10,512
Loss on abandonment of equipment	1,510
Realized gain on investments	(45,296)
Unrealized gain on investments	(259,102)
Increase in:	
Accounts payable	61,448
Net cash used by operating activities	<u>(586,617)</u>
Cash flows from investing activities:	
Purchase of property and equipment	(120,049)
Purchase of investments, net	(3,631,868)
Proceeds from sale or redemption of investments	1,279,608
Net cash used by investing activities	<u>(2,472,309)</u>
Net decrease in cash	(3,058,926)
Cash at beginning of year	<u>8,062,959</u>
Cash at end of year	<u><u>\$ 5,004,033</u></u>

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

ChangedLives.org ("Changed Lives") is a nonprofit, Tennessee corporation organized in 1968 and has been a member of the Evangelical Council for Financial Accountability (ECFA) since 1987. For 33 years, Changed Lives produced a weekly, worldwide TV and radio program, provided reprints of all messages and distributed Bibles and Christian books to listeners. In 2001, Changed Lives transitioned to the 24/7 global reach of the internet via **changedlives.org**, continuing to feature Ben Haden on both video and audio.

In 2008, **changedlives.org** added its continuing weekly radio broadcasts to the website - enabling the listener to hear any given radio broadcast 24/7. Changed Lives continues with the distribution of CDs, DVDs and books - all by Ben Haden. Ben Haden, the primary host of all segments and formats, was a former CEO of a daily newspaper, attorney, CIA agent, author and a pastor of 36 years.

Changed Lives is nondenominational, neither underwritten by, nor answerable to any individual denomination. It is geared to men and women - in plain language with both unbeliever and believer in mind. Each radio broadcast includes a specific invitation to Jesus Christ.

Ben Haden went to be with his Heavenly Father in October, 2013. The ministry of Changed Lives will continue to present Ben Haden's thought provoking sermons, messages, teachings and discussion about Jesus Christ — all recorded throughout the years — 24/7, nationally and globally...via **changedlives.org**, FM radio and social media, new CDs & DVDs, new books & eBooks — allowing individuals to share with family and friends of all ages and in their sphere of influence.

Basis of Accounting and Estimates

The financial statements of Changed Lives have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (“ASC”) in topic 958, *Not-for-Profit Entities*.

Under ASC sub-topic 958-205, Changed Lives is required to present a statement of cash flows and to report information regarding its financial position and activities according to three classes of net assets as follows.

Permanently restricted: Net assets subject to donor-imposed stipulations that they be maintained permanently by Changed Lives. Generally, the donors of these assets permit the institution to use all or part of the income earned on related investments for general or specific purposes.

Temporarily restricted: Net assets subject to donor-imposed stipulations that may be met by actions of Changed Lives or the passage of time.

Unrestricted: Net assets not subject to donor-imposed stipulations.

Cash

Changed Lives maintains its cash accounts at various financial institutions. Short-term, liquid investments with original maturities of three months or less are considered to be cash equivalents and are presented as cash.

Investments

Investments are carried at fair value. The fair value of equity and debt investments is based on the quoted market price of the underlying securities. Gains and losses realized on the sale of investments are determined using the quoted market value and specific identification and are included in the Statement of Activities.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Property and Equipment

Property and equipment are stated at cost. Donated assets are capitalized at their fair market value on the date of the gift. Repair and maintenance costs are charged to expense as incurred; significant renewals or betterments greater than \$500 are capitalized. Depreciation is provided on the straight-line basis over the estimated useful lives of the depreciable assets. Depreciation expense totaled \$10,512 for 2014.

Income Taxes

Changed Lives is a nonprofit organization that is exempt from income taxes as an entity described in Section 501(c)(3) of the Internal Revenue Code.

Functional Allocation of Expenses

Costs are charged to program services, management and general, and fundraising functions based on direct expenditures incurred. Expenses not directly chargeable to these functional categories are allocated based on the best estimate of salary expense and indirect expenses incurred for each function.

Donated Services

Changed Lives receives donated services from unpaid volunteers who assist in administrative services. No amounts have been recognized in the Statement of Activities because the criteria for recognition under ASC No. 958 have not been satisfied.

Subsequent events

Subsequent events were evaluated through February 11, 2015, which is the date the financial statements were available to be issued.

2 FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Changed Lives has the ability to access.

Level 2 — Inputs to the valuation methodology include:

- 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 for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified 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's 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 used need to maximize the use of 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, 2014.

2 FAIR VALUE MEASUREMENTS (CONTINUED)

Equity Securities, Corporate Debt Securities, U.S. Government Securities: Valued at the net asset value of shares held by Changed Lives at year end.

Certificates of Deposit: Valued at estimated value if sold at current time - prior to maturity

Other assets: Have no quoted market prices, but a reasonable estimate of fair value can be made based on similar items readily available in the market. None of the financial instruments is held for trading purposes.

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

3 INVESTMENTS

Investments as of September 30, 2014, are summarized below:

	Cost	Fair Value
Equity securities	\$ 3,692,364	\$ 3,990,451
Corporate debt securities	300,000	314,844
Certificates of deposit	495,000	493,357
U.S. government securities	24,960	29,342
Other	4,416	4,416
	<u>\$ 4,516,740</u>	<u>\$ 4,832,410</u>

The following schedule summarizes the investment return for the year ended September 30, 2014:

	Unrestricted	Temporarily Restricted	Total
Dividends and interest	\$ 119,672	\$ 475	\$ 120,147
Net realized and unrealized gain(loss)	<u>304,782</u>	<u>(384)</u>	<u>304,398</u>
Total investment income	<u>\$ 424,454</u>	<u>\$ 91</u>	<u>\$ 424,545</u>

4 PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2014, are summarized below:

Program production and office equipment	\$ 192,872
Leasehold improvements	85,890
	<u>278,762</u>
Less accumulated depreciation	<u>(135,954)</u>
Property and equipment, net	<u>\$ 142,808</u>

5 RESTRICTED NET ASSETS

Changed Lives received a restricted gift in 1998 from a trust. The terms of the gift provide that the related assets be carried in separate accounts from other assets of Changed Lives and be used for specified purposes. The purposes included the provision of funds for those in need, in seminary, in missions, and in church work; provision for preparation and/or publication of Christian writings; underwriting expenses and fair honorarium for preaching of the Gospel in churches that cannot afford special services; and provision of funds for preparation, production, and distribution of teaching or preaching of the Gospel through videotapes, audio tapes, compact discs, computers or satellite.

The terms of a restricted gift received in 2001 provide that the related assets be carried in separate accounts from other assets of Changed Lives and be used to fund the retirement of Ben Haden, as previously approved by the Board and to fund Ben Haden's future ministries during his retirement.

As mentioned in Note 1, Ben Haden went to be with his Heavenly Father in October, 2013. Consequently, the 2001 restriction mentioned above has expired. The balance was transferred to unrestricted net assets.

6 LEASES

Changed Lives has a lease agreement for its new office facilities in Chattanooga, Tennessee (Note 7). The lease is for a period of five years from March 1, 2014 and provides for annual rental increases in years four and five and that Changed Lives pays for gas, electricity and property and general liability insurance. The lease also provides for a two year extension.

Month-to-month rental at the previous office location totaled \$103,114. Rent expense for the fiscal year under the new office lease agreement was \$7,000.

6 LEASES (CONTINUED)

Future minimum lease payments under the lease as of September 30, 2014, are as follows:

Year Ending September 30:		
2015	\$	12,000
2016		12,000
2017		12,140
2018		12,380
2019		5,200

7 OFFICE RELOCATION

Changed Lives moved its offices in the summer of 2014 to downtown Chattanooga to provide for more economy and efficiency of operation. Cost of the move totaled \$14,628.

8 CONCENTRATIONS OF CREDIT RISK

Changed Lives places their temporary cash deposits primarily with a local bank. Cash and certificate of deposit balances at financial institutions are insured by FDIC up to \$250,000. Deposits in excess of FDIC insurance total \$1,732,047.

Management is aware that a risk of exposure exists for deposits in excess of the \$250,000 insurance level. However, management considers this a low and acceptable risk.