

THE TIMOTHY INITIATIVE, INC.
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
DECEMBER 31, 2016



STEVE RICE, CPA

THE TIMOTHY INITIATIVE, INC.

December 31, 2016

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of financial position	2
Statement of activities	3
Statement of functional expenses	4
Statement of cash flows	5
Notes to financial statements	6-8



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Timothy Initiative, Inc.

We have audited the accompanying financial statements of **The Timothy Initiative, Inc.** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, 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 of 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 **The Timothy Initiative, Inc.** as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Steve Rice, CPA, Inc.
Boca Raton, Florida
March 31, 2017

THE TIMOTHY INITIATIVE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

Cash and cash equivalents

Unrestricted cash \$ 383,181

Restricted cash 2,616,892

Total assets \$ 3,000,073

LIABILITIES

Accounts payable \$ 56,439

Total liabilities 56,439

NET ASSETS

Unrestricted 326,742

Temporarily restricted 2,616,892

Total net assets 2,943,634

Total liabilities and net assets \$ 3,000,073

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.



**THE TIMOTHY INITIATIVE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

**UNRESTRICTED NET ASSETS
SUPPORT AND REVENUE**

Unrestricted donations	\$ 220,529
Other revenue	31,505
Total support and revenue	252,034

RECLASSIFICATIONS:

Net assets released from donor restrictions	1,979,449
---	-----------

EXPENSES:

Program services	1,947,056
Management and general	148,363
Fundraising and donor development	135,776
Total expenses	2,231,195

Change in unrestricted net assets from activities	288
---	-----

TEMPORARILY RESTRICTED NET ASSETS

Contributions	2,960,309
Net assets released from donor restrictions	(1,979,449)
Change in temporarily restricted net assets	980,860

TOTAL CHANGE IN NET ASSETS FROM ACTIVITIES	981,148
---	----------------

NET ASSETS, beginning of year	1,962,486
-------------------------------	-----------

NET ASSETS, end of year	\$ 2,943,634
-------------------------	--------------

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.



**THE TIMOTHY INITIATIVE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Expenses			Total Program	Management and General	Fundraising and Donor Development	Total Expenses
	Project Asia	Project Africa	Project Americas				
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,181	\$ 5,181
Bank charges	-	-	-	-	2,813	-	2,813
Benevolence	38,810	2,500	4,249	45,559	-	-	45,559
Credit card fees	-	-	-	-	8,396	-	8,396
Donor development	-	-	-	-	-	54,867	54,867
Health insurance	1,216	1,953	6,884	10,053	9,908	3,434	23,395
Leadership development	4,546	5,135	15,433	25,114	-	-	25,114
Office expenses	38,217	19,918	5,516	63,651	35,060	-	98,711
Payroll expenses	108,080	136,384	192,767	437,231	45,683	44,988	527,902
Payroll taxes	-	-	-	-	11,536	-	11,536
Postage and delivery	-	-	-	-	737	-	737
Printing/editing/shipping	131,097	10,925	21,867	163,889	-	-	163,889
Professional fees	-	-	-	-	34,230	-	34,230
Program expenses	667,931	234,738	56,938	959,607	-	-	959,607
Translation	1,302	447	430	2,179	-	-	2,179
Travel	180,332	28,087	31,354	239,773	-	10,452	250,225
Website expenses	-	-	-	-	-	16,854	16,854
Total functional expenses	\$ 1,171,531	\$ 440,087	\$ 335,438	\$ 1,947,056	\$ 148,363	\$ 135,776	\$ 2,231,195

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.



THE TIMOTHY INITIATIVE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 981,148
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Changes in operating assets and liabilities:	
Change in accounts payable	<u>34,480</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 1,015,628

CASH FLOWS FROM INVESTING ACTIVITIES

NET CASH PROVIDED BY INVESTING ACTIVITIES -

CASH FLOWS FROM FINANCING ACTIVITIES

NET CASH PROVIDED BY FINANCING ACTIVITIES -

INCREASE IN CASH 1,015,628

CASH AND CASH EQUIVALENTS, beginning of year 1,984,445

CASH AND CASH EQUIVALENTS, end of year \$ 3,000,073

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.



THE TIMOTHY INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

On August 11, 2009, the leadership of Grace Fellowship of West Palm Beach, Inc. formed a sister corporation, The Timothy Initiative, Inc. (“TTI”) as an independent 501(c)(3) not-for-profit organization. This ministry was organized to train church planters and church planting movement leaders to plant reproducing and multiplying churches.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had \$2,616,892 of temporarily restricted net assets as of December 31, 2016. The Organization had no permanently restricted net assets as of December 31, 2016.

Cash

Cash consists of non-interest bearing demand deposit accounts. The concentration of credit risk associated with cash is considered low due to the credit quality of the financial institutions and the immediate availability of these financial instruments.

Contributions

The Organization accounts for contributions in accordance with generally accepted accounting principles. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the donor intent.

Contributed services are recognized as contributions at their estimated fair value, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Services provided by volunteers throughout the year are not recognized as contributions in the financial statements since these services are not susceptible to objective measurement or valuation.



THE TIMOTHY INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

Advertising costs are expensed as incurred and were \$5,181 for the year ended December 31, 2016 and are reported in the statement of functional expenses.

Financial Statement Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities as of the date of the statements and the financial condition and activities. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Income Taxes

TTI is a not-for-profit organization and a public charity, as described in Section 501(c)(3) and 509(a) of the Internal Revenue Code, and exempt from Federal Income taxes and from state income tax pursuant to Florida law, except that unrelated business income is taxable. TTI had no unrelated business income tax during the year ended December 31, 2016.

GAAP requires management to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of December 31, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Organization were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. There are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for the years prior to 2013.

THE TIMOTHY INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE B – RESTRICTIONS ON NET ASSETS

Net assets released from donor restrictions by incurring expenses to satisfy donor restrictions were \$1,979,449 for the year ended December 31, 2016.

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Various activities and church plants	<u>2016</u> <u>\$2,616,892</u>
Total Temporarily restricted	<u>\$2,616,892</u>

NOTE D – SUBSEQUENT EVENTS

The Organization has evaluated for possible financial reporting and disclosure subsequent events through March 31, 2017, the date as of which the financial statements were available to be issued.

