

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

December 31, 2020

THE TIMOTHY INITIATIVE, INC.

December 31, 2020

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	6-9



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, 2020, 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, 2020, and the changes 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.



Steve Rice, CPA, Inc.
Fort Lauderdale, Florida
April 15, 2020

THE TIMOTHY INITIATIVE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

Cash and cash equivalents	
Unrestricted cash	\$ 1,312,490
Restricted cash	<u>13,983,779</u>
Total cash and cash equivalents	\$ 15,296,269
Prepaid expenses	35,825
Security deposits	<u>17,519</u>
Total current assets	15,349,613
Property and equipment, net	<u>4,684</u>
Total assets	<u><u>\$ 15,354,297</u></u>

LIABILITIES

Accounts payable	<u>\$ 333,542</u>
Total liabilities	<u>333,542</u>

NET ASSETS

Without donor restrictions	1,036,976
With donor restrictions	<u>13,983,779</u>
Total net assets	<u>15,020,755</u>
Total liabilities and net assets	<u><u>\$ 15,354,297</u></u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

THE TIMOTHY INITIATIVE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT AND REVENUE			
Donations	\$ 1,221,270	11,671,658	\$ 12,892,928
In-kind donations	599,771	-	599,771
Other revenue	499,839	-	499,839
Total support and revenue	2,320,880	11,671,658	13,992,538
RECLASSIFICATIONS:			
Net assets released from donor restrictions	5,614,210	(5,614,210)	-
EXPENSES:			
Program services	6,610,510	-	6,610,510
Management and general	538,438	-	538,438
Fundraising and donor development	531,951	-	531,951
Total expenses	7,680,899	-	7,680,899
TOTAL CHANGE IN NET ASSETS	254,191	6,057,448	6,311,639
NET ASSETS, beginning of year	782,785	7,926,331	8,709,116
NET ASSETS, end of year	\$ 1,036,976	\$ 13,983,779	\$ 15,020,755

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

THE TIMOTHY INITIATIVE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Expenses			Management and General	Fundraising and Donor Development	Total Expenses
	Project Asia	Project Africa	Project Americas			
Advertising	\$ -	\$ -	\$ -	\$ -	\$ 37,345	\$ 37,345
Bank charges	5,837	1,646	-	7,483	8,007	15,490
Benevolence	34,697	27,250	1,948	63,895	-	63,895
Credit card fees	-	-	-	-	32,845	32,845
Depreciation	-	-	-	-	354	354
Donor development	81,273	60,955	121,910	264,139	-	453,994
Health insurance	24,521	7,442	4,932	36,895	30,758	67,653
International expansion	6,879	-	-	6,879	-	6,879
Leadership development	71	2,756	24,096	26,923	-	26,923
Moving expenses	-	-	-	-	3,000	3,000
Office expenses	95	46,892	59,204	106,191	30,499	136,690
Payroll expenses	248,563	206,068	253,247	707,878	347,552	1,324,181
Payroll taxes	-	-	-	-	53,621	53,621
Postage and delivery	-	-	-	-	3,128	3,128
Printing/editing/shipping	300,548	16,305	20,617	337,470	-	337,470
Professional fees	1,273	-	-	1,273	28,674	65,947
Program expenses	2,183,723	867,865	386,958	3,438,546	-	3,438,546
Translation	37,272	-	2,388	39,660	-	39,660
Travel	1,292,412	4,947	49,704	1,347,063	-	1,347,063
Website expenses	112,160	65,427	48,628	226,215	-	226,215
Total functional expenses	<u>\$ 4,329,324</u>	<u>\$ 1,307,553</u>	<u>\$ 973,632</u>	<u>\$ 6,610,510</u>	<u>\$ 538,438</u>	<u>\$ 531,951</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

THE TIMOTHY INITIATIVE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 6,311,639
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	354
Changes in operating assets and liabilities:	
Change in prepaid expenses	(48)
Change in security deposits	-
Change in accounts payable	<u>257,356</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 6,569,301

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	<u>(5,038)</u>
--------------------------	----------------

NET CASH PROVIDED BY INVESTING ACTIVITIES (5,038)

CASH FLOWS FROM FINANCING ACTIVITIES

NET CASH PROVIDED BY FINANCING ACTIVITIES -

INCREASE IN CASH 6,564,263

CASH AND CASH EQUIVALENTS, beginning of year 8,732,006

CASH AND CASH EQUIVALENTS, end of year \$ 15,296,269

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

THE TIMOTHY INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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.

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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions also include the investment in property, building, and equipment, net of accumulated depreciation.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the related services are performed. Contributions are recognized when cash, securities or 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.



THE TIMOTHY INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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

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.

Contribution of assets are reported as unrestricted support unless explicit donor stipulations specify how they must be used. Items donated and distributed by the Organization are reflected in the financial statements as support and expense at their estimated fair value.

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.

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 \$37,345 for the year ended December 31, 2020 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.



THE TIMOTHY INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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

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, 2020.

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, 2020, 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 2018.

Recent Accounting Guidance

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Church has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. Adoption did not result in any changes in net classes.

NOTE B – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$15,296,269
Less: Accounts payable within one year	(333,542)
Less: Amounts unavailable due to donor restrictions	<u>(13,983,779)</u>
Total financial assets available for general expenditure	<u>\$ 978,948</u>

As part of the Organization's liquidity management plan, the Organization is authorized to invest cash in excess of daily requirements in short-term investments, CDs, and money market funds. The Board is able to designate a portion of any operating surplus to an operating reserve account.

THE TIMOTHY INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE C – PAYCHECK PROTECTION PROGRAM LOAN

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted. The CARES Act was enacted to address the economic fallout of the COVID-19 pandemic on the US economy. The CARES Act provides for certain programs to assist employers in retaining its workforce during the COVID-19 pandemic. Under the CARES Act, the Organization applied for, and entered into an agreement with its financial institution, for a loan under the Small Business Administration’s (SBA) Paycheck Protection Program (PPP) for \$251,200.

Under the PPP, the Organization applied for full forgiveness of the loan amount at the end of the stipulated period beginning on the date of the loan’s disbursement (the covered period). In accordance with the guidance from the SBA and CARES Act, management used the loan proceeds to retain its workforce for the covered period substantially satisfying the requirements for forgivability of the loan. Therefore, the Organization recognized the loan on the statement of activities as other revenue for the year ended December 31, 2020.

NOTE D – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

Various activities and church plants	<u>\$ 13,983,779</u>
--------------------------------------	----------------------

Net assets with donor restrictions released during the year ended December 31, 2020 was \$5,614,210.

NOTE E – LEASES

The Organization leases facilities under an operating lease agreement. Total rent expense associated with these leases was \$48,125 for the year ended December 31, 2020, and is included in program, management, and fundraising expenses on the statement of activities.

NOTE F – SUBSEQUENT EVENTS

The Organization has evaluated for possible financial reporting and disclosure subsequent events through April 15, 2020, the date as of which the financial statements were available to be issued.

