

EvanTell, Inc.
Dallas, Texas

Financial Statements Together With
Independent Auditor's Report

June 30, 2019

EvanTell, Inc.
Financial Statements
June 30, 2019

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Note Disclosures to the Financial Statements	6 - 12



Ratcliff & Associates, P.C.

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors,
EvanTell, Inc.
Dallas, Texas

We have audited the accompanying financial statements of EvanTell, Inc., (a Texas nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses 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 EvanTell, Inc. as of June 30, 2019, 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.

Ratcliff & Associates, P.C.

January 28, 2020

EvanTell, Inc.
Statement of Financial Position
June 30, 2019

Assets

Current assets		
Cash and cash equivalents	\$	640,359
Pledge receivables		9,000
Prepaid expenses		18,580
Inventory		60,180
Total current assets		<u>728,119</u>
Noncurrent assets		
Property and equipment		
Furniture and equipment		40,857
Website development		54,627
Computer equipment		60,654
Less: accumulated depreciation		(149,193)
Net property and equipment		<u>6,945</u>
Rent deposit		6,812
Capitalized production cost, net		<u>143,717</u>
Total noncurrent assets		<u>157,474</u>
Total Assets	\$	<u><u>885,593</u></u>
Liabilities & net assets		
Liabilities		
Current liabilities		
Accounts payable	\$	44,485
Accrued expenses		24,359
Total current liabilities		<u>68,844</u>
Noncurrent liabilities		
Deferred rent liability		<u>8,358</u>
Total liabilities		<u>77,202</u>
Net assets		
Without donor restrictions		634,123
With donor restrictions		174,268
Total net assets		<u>808,391</u>
Total Liabilities & Net Assets	\$	<u><u>885,593</u></u>

The accompanying note disclosures are an integral part of these financial statements.

EvanTell, Inc.
Statement of Activities
For the Year Ended June 30, 2019

Changes in net assets without donor restrictions

Revenues	
Revenues without donor restrictions	
Contributions	\$ 950,199
Sales income	134,525
Other income	39,456
Total revenues without donor restrictions	<u>1,124,180</u>
Net assets released from restrictions	
Satisfaction of program restrictions	<u>238,765</u>
Total revenues	<u>1,362,945</u>
Expenses	
Programs	
Evangelism tools and training	513,684
Speaking engagements	165,844
International projects	160,582
Other projects	71,696
Total program expenses	<u>911,806</u>
Support services	
Fundraising	165,552
General and administrative	205,881
Total support services expenses	<u>371,433</u>
Total expenses	<u>1,283,239</u>
Change in net assets without donor restrictions	<u>79,706</u>
Changes in net assets with donor restrictions	
Contributions for programs	154,750
Net assets released from restriction	<u>(238,765)</u>
Change in net assets with donor restrictions	<u>(84,015)</u>
Change in total net assets	(4,309)
Net assets at beginning of year	<u>812,700</u>
Net assets at end of year	<u>\$ 808,391</u>

The accompanying note disclosures are an integral part of these financial statements.

EvanTell, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash flows from operating activities	
Cash received from contributions	\$ 1,110,949
Cash received from sales and other income	173,981
Cash paid for programs and support services	<u>(1,211,793)</u>
Net cash provided (used) by operating activities	<u>73,137</u>
Cash flows from investing activities	
Purchases of property and equipment	<u>(8,023)</u>
Net increase (decrease) in cash and cash equivalents	65,114
Cash and cash equivalents at beginning of year	<u>575,245</u>
Cash and cash equivalents at end of year	<u>\$ 640,359</u>

Reconciliation of change in total net assets to net cash provided (used) by operating activities

Change in total net assets	<u>\$ (4,309)</u>
Adjustments	
Depreciation	6,113
Change in pledge receivable	6,000
Change in inventory	27,746
Change in prepaid expenses	19,158
Change in capitalized production costs	3,086
Change in accounts payable	32,153
Change in accrued expenses	(6,594)
Change in deferred rent liability	<u>(10,216)</u>
Total adjustments	<u>77,446</u>
Net cash provided (used) by operating activities	<u>\$ 73,137</u>

The accompanying note disclosures are an integral part of these financial statements.

EvanTell, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Programs				Support services			Total expenses	
	Evangelism tools and training	Speaking engagements	International projects	Other projects	Programs subtotal	Fundraising	General and administrative		Support services subtotal
Bank fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,276	\$ 13,276	\$ 13,276
Depreciation and amortization	5,834	-	-	-	5,834	-	3,365	3,365	9,199
Donations to others	2,750	-	30,525	-	33,275	-	-	-	33,275
Facilities	38,753	9,714	3,546	3,084	55,097	12,640	20,262	32,902	87,999
Information technology	24,595	5,270	3,514	1,757	35,136	4,392	4,392	8,784	43,920
Office	76,775	19,760	6,586	-	103,121	13,212	17,103	30,315	133,436
Personnel	209,427	92,343	93,220	62,906	457,896	122,318	122,877	245,195	703,091
Printing	110,122	-	19,775	-	129,897	-	-	-	129,897
Professional fees	2,614	1,125	-	-	3,739	11,329	24,493	35,822	39,561
Travel	42,814	37,632	3,416	3,949	87,811	1,661	113	1,774	89,585
Total expenses	\$ 513,684	\$ 165,844	\$ 160,582	\$ 71,696	\$ 911,806	\$ 165,552	\$ 205,881	\$ 371,433	\$ 1,283,239

The accompanying note disclosures are an integral part of these financial statements.

EvanTell, Inc.
Note Disclosures to the Financial Statements
June 30, 2019

Note 1, Nature of the Organization

EvanTell, Inc. (EvanTell), is a nonprofit corporation under the laws of the state of Texas. EvanTell was founded in 1973 to practice and promote a clear presentation of the Gospel through a careful study of the Scriptures. EvanTell exists to encourage and equip individuals and churches to reach the world with the clear and simple good news of Jesus Christ so that more people hear the gospel in more places every day. The generosity of our donors helps us fulfill this mission.

Note 2, Summary of Significant Accounting Policies

The following is a summary of EvanTell's significant accounting policies consistently applied in the preparation of the accompanying financial statements:

New accounting pronouncement: For the year ended June 30, 2019, EvanTell has adopted the new reporting standards issued by the FASB in ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The new standards require the following significant changes or clarifications to EvanTell's financial statements and disclosures:

- Net assets on the financial statements are renamed and combined into two classes: net assets without donor restriction and net assets with donor restriction.
- Disclosures are enhanced to show the amounts and purposes of net assets without donor restriction that are internally designated, in addition to the already required disclosures for net assets with donor restrictions of both a temporary and permanent nature.
- The statement of financial position is classified to show subtotals for current assets and current liabilities as part of EvanTell's enhanced disclosure of liquidity. EvanTell anticipates using current assets and satisfying current liabilities within one year of the statement date. Current assets, excluding inventory and prepaid expenses, represent financial assets available for general expenditure within one year of the statement date. Disclosures are presented for both the quantitative and qualitative aspects of liquidity and the availability of financial assets.
- The statement of cash flows uses the direct method, which we believe to be a more understandable and preferred presentation for users of our financial statements.
- The statement of functional expenses has been added as a fourth statement to the financial statements reporting package in order to show a combined presentation of the functional and natural classifications of expenses.
- Management activities, except for direct conduct or supervision of programs, are allocated to support services on the statement of activities.

EvanTell, Inc.
Note Disclosures to the Financial Statements
June 30, 2019

Note 2, Summary of Significant Accounting Policies (continued)

New accounting pronouncement (continued): EvanTell has adjusted the presentation of its financial statements and disclosures accordingly.

Basis of accounting: The financial statements of EvanTell have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) of the United States of America. Revenues are recognized when earned, and expenses are recorded when incurred.

Revenue recognition: Revenues of EvanTell are primarily derived from contributions from EvanTell's donors and supporters. A portion of EvanTell's revenues is tied to the local economy. All contributions are considered available for EvanTell's general programs unless specifically restricted by the donor.

Amounts received that are donor restricted by time or purpose are reported as increases in net asset with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. However, contributions received with restrictions that are met in the same reporting period are reported as increases in net assets without restrictions.

Net assets without donor restrictions: EvanTell further disaggregates net assets without donor restriction into two subcategories:

- General unrestricted: Net assets that are neither subject to donor-imposed restrictions or self-imposed limits are general unrestricted.
- Internally designated: Net assets that are subject to EvanTell's self-imposed limits by action of the governing board or its delegates are internally designated. These voluntary limitations allow EvanTell to earmark net assets for a variety of needs that may arise. Such limits may also be lifted at any time in the future by resolution of the board or its delegates.

Net assets with donor restriction: EvanTell further disaggregates net assets with donor restriction into two subcategories:

- Temporarily restricted: EvanTell reports gifts of cash and other assets as with temporary donor restriction if they are received with donor stipulations temporarily limiting the use of the contributions and if the restrictions are not met in the period of receipt.
- Permanently restricted: EvanTell reports gifts of cash and other assets as with permanent donor restriction if they are received with donor stipulations permanently restricting the contribution to investment but permitting EvanTell to use part or all of the income derived from the investment for general or restricted purposes. As of June 30, 2019, EvanTell had no permanently restricted net assets.

EvanTell, Inc.
Note Disclosures to the Financial Statements
June 30, 2019

Note 2, Summary of Significant Accounting Policies (continued)

Programs: EvanTell pursues its mission through the execution of the following major programs that are also the reported functional expenses of EvanTell:

- Evangelism tools and training: Develop and distribute tools and training in print and in digital form.
- Speaking engagements: Share the gospel through outreaches as well as train and equip churches and individuals to share the gospel in various locales throughout the United States.
- International projects: Support church and ministry networks overseas with training and tools for the purpose of equipping indigenous believers to share the gospel.
- Other projects: Support pregnancy resource centers by training their staff and volunteers to share the gospel. In addition, continue to develop our “Authentic Life” materials and use them to train believers to reach the upcoming generations.
- Fundraising: Facilitating giving from supporters and donors of EvanTell
- General and administrative: providing administrative support to the above functional areas.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in these financial statements include depreciation, amortization, and the allocation of certain facility and payroll expenses. Accordingly, actual results could differ from those estimates. Depreciation is computed using management’s estimate of the useful lives of the asset. Amortization is based on the sales of certain Bibles. The allocation of payroll and facility expenses is, respectively, based on management’s estimate of staff time and roles and facility space and usage.

Cash and cash equivalents: For purposes of the statement of cash flows, EvanTell considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Financial instruments that potentially subject EvanTell to credit risk include cash on deposit with a financial institution exceeding \$250,000 at various times during the year. The U.S. Federal Deposit Insurance Corporation insures amounts for up to \$250,000.

Pledges receivable: Unconditional promises to give are reported as income when the promise is made and have been recorded at the net present value of their estimated future cash flows. Management has evaluated pledges receivable for an allowance for uncollected promises and determined no allowance was necessary for the year ended June 30, 2019.

Allocation of expenses by function and nature: The costs of providing the various programs and other activities have been allocated and summarized on a functional basis in the statement of activities and on both a functional and a natural bases in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services, as well as the natural categories, benefited.

EvanTell, Inc.Note Disclosures to the Financial Statements
June 30, 2019**Note 2, Summary of Significant Accounting Policies (continued)**

Inventory: Inventory consists of books, biblical counseling, and related ministry materials carried at the lower of cost or market using the average cost method. Management has evaluated inventory for an allowance for obsolescence and determined that no allowance was necessary for the year ended June 30, 2019. Total cost of goods sold was \$67,470 during the year ended June 30, 2019, which is included and allocated with expenses.

Property and equipment: Property and equipment are recorded at acquisition cost. EvanTell capitalizes assets with a cost greater than \$1,000. Betterments and renewals are capitalized. Maintenance and repairs are charged to operations when incurred. Depreciation is computed using the straight-line method over estimated useful lives which range from two to seven years.

Production costs: Production costs are costs incurred for the production of the Evangelism Study Bible which was completed in October 2014. Management entered into a contract with a publisher to receive a royalty on the sales of these Bibles. The capitalized costs will be amortized over the estimated future sales of these Bibles. During the year ended June 30, 2019, total amortization was \$3,086.

Compensated absences: Employees are entitled to paid vacation leave depending upon the length of service and other factors. Compensated absences for vacation leave have not been accrued since they cannot be reasonably estimated. EvanTell's policy is to recognize these costs when actually paid.

Income tax status: EvanTell is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as other than a private foundation, except on net income derived from unrelated business activities. For the year ended June 30, 2019, EvanTell has not conducted unrelated business activities that are material to the financial statements taken as a whole. Accordingly, no provision for income taxes is included in the financial statements. EvanTell believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Tax returns of EvanTell are open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

Note 3, Line of Credit

EvanTell has an unsecured line of credit with a financial institution in the amount of \$50,000 which matures April 16, 2020. Interest is variable at prime plus 1.75%. There was no outstanding balance on the line of credit as of June 30, 2019, and no draws were made during the year.

Note 4, Retirement Plan

EvanTell provides its full-time employees a defined contribution retirement plan through the use of a pre-determined Simple IRA type plan. EvanTell provided a discretionary matching contribution of 3% during fiscal year 2019. EvanTell's contributions to the plan during the year ended June 30, 2019, were \$5,420.

EvanTell, Inc.
 Note Disclosures to the Financial Statements
 June 30, 2019

Note 5, Net Assets

The current year summary of change in net assets are as follows:

	Net Assets Without Donor Restrictions		Net Assets With Donor Restrictions
	General Unrestricted	Board Designated	Temporarily Donor Restricted
Balance, July 1, 2018	\$ 479,417	\$ 75,000	\$ 258,283
Transfers	(25,000)	25,000	
Net change	79,706	-	(84,015)
Balance, June 30, 2019	\$ 534,123	\$ 100,000	\$ 174,268

The details of EvanTell's net assets by categories at June 30, 2019 are as follows:

Net assets without donor restrictions	
General unrestricted	\$ 534,123
Internally designated	
Liquidity reserve	100,000
Total net assets without donor restrictions	634,123
Net assets with donor restrictions	
Temporarily restricted	
China ministry	18,805
Digital strategy	26,846
Hispanic ministry	119,617
Pledges receivable	9,000
Total net assets with donor restrictions	174,268
Total net assets	\$ 808,391

EvanTell, Inc.
 Note Disclosures to the Financial Statements
 June 30, 2019

Note 6, Liquidity and Availability of Financial Assets

EvanTell's financial assets are current assets available for general expenditure within one year of the statement date. Financial assets are calculated as follows: current assets less donor-restricted cash and investments, inventory, and prepaid expenses.

As part of EvanTell's liquidity management, it has a strategy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. The significant qualities of this strategy are as follows:

- EvanTell invests cash in excess of daily requirements in short-term investments such as interest-bearing savings accounts or money market funds.
- EvanTell reserves a portion of prior years' excess revenues (operating surplus) in a board-designated liquidity reserve fund.
- EvanTell also has an available line of credit that may be drawn upon, as discussed further in the Line of Credit disclosure.
- EvanTell is highly dependent on recurring contributions from its supporters and donors which have remained relatively consistent year-to-year.
- If liquidity becomes a concern, EvanTell may elect to decrease its program budget in order to eliminate excess spending.

EvanTell's financial assets are quantified as follows:

Current assets	\$ 728,119
Less: non-liquid assets, inventory and prepaid expenses	(78,760)
Less: those unavailable for general expenditures within one year, due to	
Internally designated:	
Liquidity reserve	(100,000)
Donor-imposed restrictions or contractual requirements:	
Donor restrictions	(174,268)
Financial assets available to meet cash needs for general expenditures within one year	\$ 375,091

Note 7, Operating Leases

EvanTell leases office space under a non-cancelable lease expiring in March 2020. The lease includes eight months of free rent. Rent expense has been recognized on a straight-line basis over the life of the lease, with a deferred liability recorded on the statement of financial position for the difference between the expense and cash outlay. EvanTell also leases office equipment under a lease expiring in June 2021 with monthly payments of \$1,144. Rent expense for both leases for the year ended June 30, 2019, was \$94,534.

EvanTell, Inc.
Note Disclosures to the Financial Statements
June 30, 2019

Note 7, Operating Leases (continued)

Lease payments remaining under these leases for the years ending June 30, are as follows:

2020	\$ 75,028
2021	<u>12,579</u>
Minimum payments required	<u><u>\$ 87,607</u></u>

Note 8, Subsequent Events

EvanTell has evaluated subsequent events through the date of the independent auditor's report on page one, which is the date the financial statements were available to be issued.