



Darrell L. Keller, CPA, PA

ZOLA LEVITT MINISTRIES, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2016

(704) 739-0771

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Basic Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10
Supplementary Schedule:	
Statement of Functional Expenses	11

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Zola Levitt Ministries, Inc.
Dallas, Texas

We have audited the accompanying financial statements of Zola Levitt Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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 Zola Levitt Ministries, Inc. as of December 31, 2016, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Darrell L. Keller, CPA, PA
Kings Mountain, North Carolina
July 30, 2017

ZOLA LEVITT MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
ASSETS			
Cash and cash equivalents	\$ 811,872	\$ 36,010	\$ 847,882
Investments-Mutual Funds	1,458,030	-	1,458,030
Inventory	116,146	-	116,146
Note Receivable-TEI, Inc.	35,000	-	35,000
Investments-TEI, Inc.	62,910	-	62,910
Equipment and leasehold improvements less accumulated depreciation of \$30,207	4,098	-	4,098
	\$ 2,488,056	\$ 36,010	\$ 2,524,066
LIABILITIES AND NET ASSETS			
Liabilities:			
Sales tax payable	\$ 438	\$ -	\$ 438
Accounts payable and accrued expenses	210,474	36,010	246,484
Total liabilities	210,912	36,010	246,922
Net assets:			
Unrestricted	2,277,144	-	2,277,144
Temporarily restricted	-	-	-
Total net assets	2,277,144	-	2,277,144
Total liabilities and net assets	\$ 2,488,056	\$ 36,010	\$ 2,524,066

The Accompanying Notes are an Integral Part of these Financial Statements.

ZOLA LEVITT MINISTRIES, INC.
STATEMENT OF ACTIVITIES
DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
Public support and revenue:			
Public support:			
Contributions	\$ 3,423,479	\$ -	\$ 3,423,479
Books, DVD's, CD's	239,933	-	239,933
Institute in Jewish-Christian Studies	7,882	-	7,882
Other income	65,324	-	65,324
Investment return-net	39,852	-	39,852
Net assets released from restriction	-	-	-
Total revenues	3,776,470	-	3,776,470
Production costs:			
Production-Airtime	1,453,473	-	1,453,473
Production-DVD's	778,543	-	778,543
Production-Newsletters	523,242	-	523,242
Production-Website	24,632	-	24,632
Production-Contract Labor	17,973	-	17,973
Leased employees	120,559	-	120,559
Social media	13,448	-	13,448
Books, DVD's, CD's	101,370	-	101,370
Royalties and permissions	145,364	-	145,364
Total production costs	3,178,604	-	3,178,604
Operating income	597,866	-	597,866
Management and general	615,301	-	615,301
Fundraising	25,083	-	25,083
Functional expenses	640,384	-	640,384
Realized gain on sale of investments	-	-	-
Unrealized gain (loss) on investments	12,145	-	12,145
	12,145	-	12,145
Change in net assets	(30,373)	-	(30,373)
Net assets:			
Beginning	2,307,517	-	2,307,517
Ending	\$ 2,277,144	\$ -	\$ 2,277,144

The Accompanying Notes are an Integral Part of these Financial Statements.

ZOLA LEVITT MINISTRIES, INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash Flows From Operating Activities:

Expenses (Over) Under Revenues	<u>\$ (30,373)</u>
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Adjustments to Reconcile Expenses Over
Revenues to Net Cash Provided by (Used by)
Operating Activities:

Depreciation	2,087
Unrealized losses (gains) on investments	(12,145)
(Increase) Decrease in Inventory	702
Increase (Decrease) in Sales Tax Payable	(96)
Increase (Decrease) in Accounts Payable	<u>(63,237)</u>
Total Adjustments	<u>(72,689)</u>

Net Cash Provided by (Used by) Operations	<u>(103,062)</u>
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Cash Flows From Investing Activities:

Purchase of Fixed Assets	-
Purchase of Investments	(765,399)
Additional investment in subsidiary	-
Loan to Subsidiary	-
(Income) Loss from subsidiary	<u>(1,634)</u>

Net Cash Provided by (Used by) Investments	<u>(767,033)</u>
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Cash at Beginning of Year	<u>1,717,977</u>
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Cash at End of Year	<u><u>\$ 847,882</u></u>
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The accompanying footnotes are an integral part of the financial statements.

ZOLA LEVITT MINISTRIES, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

A. Nature of Activities and Significant Accounting Policies:

Nature of Activities: The Ministry is a non-profit corporation organized in Texas that receives donations and gifts from the general public and performs ministerial duties in proclamation of the Christian Gospel. The Ministry is supported primarily through donor contributions.

A summary of the Ministry's significant accounting policies applied follows:

Cash and Cash Equivalents

For purposes of the statement of cash flows the ministry considers all short-term investments with a maturity of three (3) months or less to be cash equivalents for financial statement purposes. Due to its short term nature, the carrying value of cash and cash equivalents approximates fair value. The Ministry maintains domestic cash accounts, which may exceed FDIC limitations. The Ministry believes it is not exposed to significant credit risk on cash and cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor, if any, are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

Property and Equipment

The Ministry capitalizes property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Ministry reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Ministry reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to thirty years.

Contributed Services

The Ministry generally pays for services requiring specific expertise, however the independent audit was performed as a contribution to the Ministry. The Ministry recognized contribution revenue and audit expense in the amount of \$10,000 for these services. No other amounts have been recognized for contributed services. However, the Board Members may volunteer their time and perform a variety of tasks, but these services do

not meet the criteria for recognition as contributed services. The Ministry receives more than 100 volunteer hours per year.

Contributions

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

Income Taxes

The Ministry is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

The Ministry owns one-hundred percent of a Subchapter S Corporation. Earnings on this investment generate unrelated business income which is subject to unrelated business income tax (UBIT). The Ministry's Form 990-T, *Exempt Organization Business Income Tax Return*, resulted in an income tax expense of \$245.

The financial accounting standards board issued guidance that requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined that there are no material uncertain tax positions that require recognition in the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Assets:

Unrestricted net assets are those amounts presently available for use by the Ministry at the discretion of the Board of Directors.

Temporarily restricted net assets are those amounts given to the Ministry with donor imposed time or purpose restrictions. When a stipulated time restriction expires or 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 restriction.

Expense Allocation:

Direct expenses are allocated 100% to program services. All other costs are allocated between program services and management and general based on the estimated percentage of employees' time spent in each function.

B. Restrictions on Cash and Cash Equivalents

Restricted cash in the amount of \$36,010 is the result of donor imposed restrictions on contributions. The Ministry receives donations to be used for certain benevolence projects. This amount is shown as restricted cash and restricted payable until used for these projects.

Bridges for Peace	\$	536
Good News		3,523
Israeli Tree Fund		123
Lone Soldier		2,198
Our Man in Jerusalem		3,119
Temple Mount Fund		508
Tents of Mercy		298
Hebrew for Christians		150
Holocaust Survivors		1,373
To the Jew First Fund		<u>24,182</u>
	\$	<u>36,010</u>

C. Investments

The fair values of short-term investments totaled \$1,458,030 and the value of long-term investments totals \$62,910.

The following schedule summarized investment returns and their classification in the statement of activities for the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Total
Interest Income	\$ 121	\$ -	\$ 121
Dividend Income	38,098	-	38,098
Realized gain on investment in TEI, Inc.	1,634	-	1,634
Realized gain on sale of investments	-	-	-
Unrealized gain on short term investments	<u>12,145</u>	<u>-</u>	<u>12,145</u>
Total Investment Income	<u>\$ 51,998</u>	<u>\$ -</u>	<u>\$ 51,998</u>

D. Property and Equipment

The Ministries' property and equipment consists of the following:

	<u>2016</u>
Furniture	\$ 12,421
Leasehold Improvements	-
Equipment	21,884
Vehicles	<u>-</u>
	34,305
Less: Accumulated Depreciation	<u>30,207</u>
	<u>\$ 4,098</u>

E. Fair Value Measurements

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2016, are as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>
Short-Term Investments		
Short-Term Stocks (E-Trade)	\$ 114,694	\$ 114,694
Vanguard Extended Mkt Index (VEXAX)	75,620	75,620
Vanguard STAR Fund (VGSTX)	622,120	622,120
Vanguard Short Term Bond	<u>645,596</u>	<u>645,596</u>
Total Investments measured at fair value	<u>\$ 1,458,030</u>	<u>\$ 1,458,030</u>

The Ministry recognizes transfers of assets into and out of the levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the year ended December 31, 2016.

Short-term investments are reported at fair value using quoted market prices.

Investment in Equity Securities

The Ministry owns one-hundred percent of a subchapter S corporation. This investment in equity securities is accounted for using the cost method. The fair value of a cost method investment is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value. The Ministry has not estimated the fair value of this investment because it is not practicable to do so and there have been no such identified events.

The following table summarizes the change in value associated with the investment in equity securities accounted for using the cost method:

Balance as of January 1, 2016	\$ 61,276
Purchases	\$ -
Sales	\$ -
Realized gains (losses)	\$ 1,634
Unrealized gains (losses)	<u>\$ -</u>
Balance as of December 31, 2016	<u>\$ 62,910</u>

F. Shipping and Handling Costs

Shipping and handling costs are recorded as production costs if they relate to the sale of inventory. Shipping and handling costs that relate to general operations are recorded as management and general expenses. These costs are immaterial to the financial statements as a whole.

G. Related Party Transactions

Travel Experience International is a for profit corporation that is owned by the ministry. The purpose of the corporation is to conduct tours of the Holy Land. During 2016 the Ministry was reimbursed \$37,043 for expenses paid on behalf of Travel Experience International. These expenses consisted primarily of charges for advertising during broadcast time of the national weekly program and shared rental space.

As of December 31, 2016, the Ministry had loaned Travel Experience International, Inc. \$35,000 to cover expenses for deposits for 2015 tours. These funds will be repaid when TEI receives funds from passengers paying for the tours.

H. Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first in, first out (FIFO) method. The value of inventories using FIFO is \$116,146. Inventories include ministerial supplies such as books, tapes, albums, and cassettes.

I. Contingency

The Board of Directors approved a resolution stating that in the event of the dissolution of the Ministry, all full-time employees will receive one (1) week's pay for every year of service. The amount of the contingency can not be determined at this time, because this is a future event and the amount can not be estimated.

J. Evaluation of Subsequent Events

The Ministry has evaluated subsequent events through July 30, 2017, the date which the financial statements were available to be issued.

ZOLA LEVITT MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Management and General	Fundraising	Total Expenses
Leased employees	\$ 381,769	\$ -	\$ 381,769
Employee benefits	4,635	-	4,635
Total salaries and related expenses	386,404	-	386,404
Production-airtime	-	19,135	19,135
Production-Newsletters	-	5,948	5,948
Office expense	24,038	-	24,038
Printing	25,969	-	25,969
Postal, shipping, and mailing service	25,675	-	25,675
Travel and Meetings	20,593	-	20,593
Professional services	5,019	-	5,019
Telephone	5,680	-	5,680
Answering service	15,876	-	15,876
Insurance	2,156	-	2,156
Rent	44,650	-	44,650
Bank charges	30,436	-	30,436
Repairs & maintenance	723	-	723
Dues and memberships	2,989	-	2,989
Taxes-general	4,516	-	4,516
Tour expenses	5,342	-	5,342
Audit	10,000	-	10,000
Miscellaneous	3,148	-	3,148
Total expenses before depreciation	613,214	25,083	638,297
Depreciation	2,087	-	2,087
Total expenses	\$ 615,301	\$ 25,083	\$ 640,384

The Accompanying Notes are an Integral Part of these Financial Statements.