



**Darrell L. Keller, CPA, PA**

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**ZOLA LEVITT MINISTRIES, INC.  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**(704) 739-0771**

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## 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, 2018, 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.

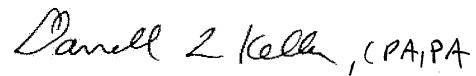
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## 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, 2018, 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.

## Change in Accounting Principle

As discussed in Note 9 to the financial statements, the Organization adopted FASB Accounting Standard Update 2016-14, *Not-For-Profit Entities – Presentation of Financial Statements of Not-For-Profit Entities* effective January 1, 2018. Accordingly, the Organization's net assets are now shown as net assets with donor restrictions and net assets without donor restrictions rather than unrestricted, temporarily restricted, and/or permanently restricted.



Darrell L. Keller, CPA, PA  
Kings Mountain, North Carolina  
August 20, 2019

ZOLA LEVITT MINISTRIES, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 477,090	\$ 26,532	\$ 503,622
Investments-Mutual Funds	1,410,162	-	1,410,162
Inventory	145,161	-	145,161
Note Receivable-TEI, Inc.	35,000	-	35,000
Investments-TEI, Inc.	72,877	-	72,877
Equipment and leasehold improvements less accumulated depreciation of \$33,501	804	-	804
Total Assets	\$ 2,141,094	\$ 26,532	\$ 2,167,626
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities:			
Sales tax payable	\$ 307	\$ -	\$ 307
Accounts payable and accrued expenses	159,130	26,532	185,662
Total liabilities	159,437	26,532	185,969
Net assets:			
Without Donor Restrictions	1,981,657	-	1,981,657
With Donor Restrictions	-	-	-
Total net assets	1,981,657	-	1,981,657
Total liabilities and net assets	\$ 2,141,094	\$ 26,532	\$ 2,167,626

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

ZOLA LEVITT MINISTRIES, INC.  
STATEMENT OF ACTIVITIES  
DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Public support:			
Contributions	\$ 2,880,760	\$ -	\$ 2,880,760
Books, DVDs, CDs	196,090	-	196,090
Institute in Jewish-Christian Studies	7,454	-	7,454
Other income	-	-	-
Investment return-net	63,888	-	63,888
Net assets released from restriction	-	-	-
Total revenues	3,148,192	-	3,148,192
Production costs:			
Production-Airtime	1,276,140	-	1,276,140
Production-DVDs	544,963	-	544,963
Production-Newsletters	531,789	-	531,789
Production-Website	26,867	-	26,867
Production-Contract Labor	26,803	-	26,803
Leased employees	117,219	-	117,219
Social media	12,162	-	12,162
Books, DVDs, CDs	128,647	-	128,647
Royalties and permissions	6,825	-	6,825
Total production costs	2,671,415	-	2,671,415
Operating income	476,777	-	476,777
Management and general	568,430	-	568,430
Fundraising	26,731	-	26,731
Functional expenses	595,161	-	595,161
Realized gain on sale of investments	(5,530)	-	(5,530)
Unrealized gain (loss) on investments	(93,441)	-	(93,441)
	(98,971)	-	(98,971)
Change in net assets	(217,355)	-	(217,355)
Net assets:			
Beginning	2,199,012	-	2,199,012
Ending	\$ 1,981,657	\$ -	\$ 1,981,657

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

ZOLA LEVITT MINISTRIES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2018

	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Leased employees	\$ 371,192	\$ -	\$ 371,192
Employee benefits	4,396	-	4,396
Total salaries and related expenses	<u>375,588</u>	<u>-</u>	<u>375,588</u>
Production-airtime	-	15,428	15,428
Production-Newsletters	-	11,303	11,303
Office expense	14,243	-	14,243
Printing	20,010	-	20,010
Postal, shipping, and mailing service	19,645	-	19,645
Travel and Meetings	9,034	-	9,034
Professional services	3,842	-	3,842
Telephone	5,296	-	5,296
Answering service	11,081	-	11,081
Insurance	2,009	-	2,009
Rent	58,784	-	58,784
Bank charges	23,665	-	23,665
Repairs & maintenance	333	-	333
Dues and memberships	3,289	-	3,289
Taxes-general	7,275	-	7,275
Tour expenses	2,128	-	2,128
Audit	10,000	-	10,000
Miscellaneous	597	-	597
Total expenses before depreciation	<u>566,819</u>	<u>26,731</u>	<u>593,550</u>
Depreciation	1,611	-	1,611
Total expenses	<u><u>\$ 568,430</u></u>	<u><u>\$ 26,731</u></u>	<u><u>\$ 595,161</u></u>

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, 2018

Cash Flows From Operating Activities:

Expenses (Over) Under Revenues	<u>\$ (217,355)</u>
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Adjustments to Reconcile Expenses Over  
Revenues to Net Cash Provided by (Used by)  
Operating Activities:

Depreciation	1,611
Unrealized losses (gains) on investments	93,441
(Increase) Decrease in Inventory	6,843
Increase (Decrease) in Sales Tax Payable	(149)
Increase (Decrease) in Accounts Payable	<u>(48,096)</u>
Total Adjustments	<u>53,650</u>

Net Cash Provided by (Used by) Operations	<u>(163,705)</u>
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Cash Flows From Investing Activities:

Purchase of Fixed Assets	-
Purchase of Investments	(60,864)
Book value of investments sold	156,848
Loan to Subsidiary	-
(Income) Loss from subsidiary	<u>(1,552)</u>

Net Cash Provided by (Used by) Investments	<u>94,432</u>
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Cash at Beginning of Year	<u>572,895</u>
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Cash at End of Year	<u><u>\$ 503,622</u></u>
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The accompanying footnotes are an integral part of the financial statements.



ZOLA LEVITT MINISTRIES, INCORPORATED  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

Note 1. SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF ACTIVITIES

Reporting Entity

Zola Levitt Ministries, Inc. (the "Organization") is a non-profit organization 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, which accounts for 92% of its revenue. It was determined to be a non-profit by the Internal Revenue Service and is governed by a volunteer Board of Directors. The Organization is a tax exempt organization under section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an entity that is not a private foundation within the meaning of section 509(a) and contributions to the Organization are tax-deductible within the limitations prescribed by law.

Organizational Mission Statement

The mission of the Organization is to proclaim the Gospel of Jesus Christ through production of a Bible teaching television program that emphasizes the Jewish roots of Christianity, the continuing significance of Israel to prophecy fulfillment, and the chosen people's role in God's eternal plan.

Basis of Accounting

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. Under those standards, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Organization is required to present a statement of cash flows. The Organization uses the accrual method of accounting. Under this method, revenue is recognized when earned, and expenses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with United States 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. Significant estimates include allowance for uncollectible accounts receivable, depreciation, and contingencies.

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 Federal or State income taxes has been made in the accompanying financial statements.

The Ministry owns 100% of a Sub Chapter S Corporation. Earnings on this investment generate unrelated business income which is subject to unrelated business income tax (UBIT). The Ministries Form 990-T, Exempt Organization Business Income Tax Return, resulted in an income tax expense of \$

ZOLA LEVITT MINISTRIES, INCORPORATED  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of demand deposits in banks, cash on hand, and deposits in money market accounts. Restricted Cash is donor restricted cash that has yet to be released from restriction.

Investments

The fair value of all available-for-sale marketable securities has been measured on a recurring basis using Level 1 inputs. There were no changes in valuation methodologies and related inputs used at December 31, 2018.

Fair Value Measurements

FASB ASC 820-10 regarding fair value measurements clarifies the definition of fair value for financial reporting and establishes a three-tier hierarchy as a framework for measuring fair value which requires an entity to give 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) when measuring fair value. The standard also requires additional disclosure about the use of fair value measurements. Fair value is defined as the price to sell an asset or transfer a liability between market participants as of the measurement date.

The three levels of the fair value hierarchy under this standard are as follows:

- Level 1 - Inputs are unadjusted quoted prices for identical instruments in active markets.
- Level 2 - Inputs are inputs other than quoted prices included within Level 1 that are directly or indirectly observable, such as quoted prices for similar instruments in active markets, or quoted prices for identical or similar instruments in inactive markets.
- Level 3 - Inputs are unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions, such as valuations derived from techniques in which one or more significant value drivers are observable.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Property and Equipment

The Organization capitalizes property and equipment if its value is over \$5,000 and its useful life is more than one year. 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 market

ZOLA LEVITT MINISTRIES, INCORPORATED  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

value on the date of the gift. Such donations are reported as contributions without donor restrictions 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 contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to thirty nine years. Management annually reviews these assets to determine whether carrying values have been impaired.

Net Asset Classifications

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. For example, the Board has designated a portion of net assets without donor restrictions as a quasi-endowment (an amount to be treated by management as if it were part of the donor restricted endowment) for the purpose of securing the Organization's long-term financial viability.

See note 9 for more information on the composition of net assets without donor restrictions.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time, and/or purpose restrictions.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increase in net assets without donor restrictions if the restrictions expire in the same fiscal year in which the contributions are recognized.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

See note 10 for more information on the composition of net assets with donor restrictions.

Contributions

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America. Under those standards, contributions received are recorded as net

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assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Grants and other contributions of cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

Contributed Services

The Organization generally pays for services requiring specific expertise. 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. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization carrying out its fundraising and special programs, but these services do not meet the criteria for recognition as contributed services.

Functional Allocation of Expenses

For functional expense allocations, salaries and related expenses are allocated to the various programs and supporting services based on estimated time the employees spend on each function. The remaining expenses are specifically allocated whenever practical or are allocated based on salaries or space utilization.

Advertising

The Organization expenses advertising costs as incurred. 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.

Concentration of Credit Risk

The Organization maintains demand deposits at one bank in Texas which are secured by the Federal Deposit Insurance Corporation. At December 31, 2018 the deposits had a carrying value of \$394,715 and a bank balance of \$359,096, of this amount \$250,000 was covered by FDIC. \$109,096 was uninsured. Management does not consider this concentration to be a significant risk.

ZOLA LEVITT MINISTRIES, INCORPORATED  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2018

Note 2. 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, 2018 are as follows:

Investments:	Fair Value	Level 1
Short-term stocks (E-Trade)	123,990	123,990
Vanguard Ext. Mkt. Index	80,952	80,952
Vanguard STAR Fund	696,882	696,882
Vanguard Short Term Bond	<u>508,338</u>	<u>508,338</u>
	1,410,162	1,410,162

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 value as of January 1, 2018 was \$71,325 and realized gain of \$1,552 was recognized during the year for a total value as of December 31, 2018 of \$72,877.

Note 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	12/31/2018
Financial Assets at Year-End	\$ 2,093,945
Less those available for general expenditure within one year, due to:	
Donor Restricted:	
Donated to Ministry for other Ministries	26,532
Unavailable to management without Board approval	
Board designated Quasi-Endowment	-
Financial assets available to meet cash needs for general expenditure within one year	\$ 2,120,477

ZOLA LEVITT MINISTRIES, INCORPORATED  
NOTES TO THE FINANCIAL STATEMENTS  
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Note 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	12/31/2018
Machinery and equipment	\$ 21,884
Office Equipment	12,421
Less Accumulated Depreciation	(33,501)
Net Property and Equipment	\$ 804

Depreciation Expense for December 31, 2018 was \$1,611.

Note 5. 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 the FIFO is \$ 145,161. Inventories include ministerial supplies such as books, tapes, albums, and cassettes.

Note 6. 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 2018 the Ministry was reimbursed \$49,618 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, 2018 the Ministry had loaned Travel Experience International \$35,000 to cover expenses. This loan was repaid subsequent to year end.

Note 7. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's net assets without donor restrictions is comprised of undesignated and Board designated amounts for the following purposes at December 31, 2018:

	12/31/2018
Undesignated	\$ 1,980,853
Fixed Assets	804
Total net assets without donor restrictions	\$ 1,981,657

ZOLA LEVITT MINISTRIES, INCORPORATED  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

Note 8. NET ASSETS WITH DONOR RESTRICTIONS

	12/31/2018
Donor restricted to:	
Aliyah Return Center	\$ 1,082
Bridges for Peace	1,225
Good News	991
Hebrew for Christians	465
Holocaust Survivors Fund	1,503
Israeli Tree Fund	184
Lone Soldier	1,115
Our Man in Jerusalem	2,918
Temple Mount Fund	281
Tents of Mercy	240
To The Jew First Fund	16,528
	\$ 26,532

Note 9. CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. ASU 2016-14 is effective for financial statements issued for fiscal years beginning after December 31, 2017. Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. Net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions. Likewise, net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

ZOLA LEVITT MINISTRIES, INCORPORATED  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

Note 10. CONTINGENCY

The Ministry 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 cannot be determined at this time, because this is a future event and the amount cannot be estimated.

Note 11. SUBSEQUENT EVENTS

The Organization has evaluated its financial statements for subsequent events through August 20, 2019, the date the financial statements were available to be issued. The Organization is not aware of any such events which would require recognition or disclosure in the financial statements.