



E3 PARTNERS MINISTRY

Financial Statements
With Independent Auditors' Report

March 31, 2017 and 2016

e3 PARTNERS MINISTRY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
e3 Partners Ministry
Plano, Texas

We have audited the accompanying financial statements of e3 Partners Ministry, which comprise the statements of financial position as of March 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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 misstatements 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 qualified audit opinion.

Board of Directors
e3 Partners Ministry
Plano, Texas

Basis for Qualified Opinion

e3 Ministry Partners and Pure Charity entered into a Development Agreement related to the Pure Charity website platform providing for periodic payments up to \$650,000. e3 Ministry Partners does not believe that Pure Charity has fulfilled its obligations under this agreement and has not recorded any liability as of March 31, 2017.

Due to the uncertainty of the obligation, we were unable to obtain sufficient audit evidence about this matter as of March 31, 2017. Consequently, we were unable to determine whether any adjustment to the financial statements is necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described above, the financial statements referred to above present fairly, in all material respects, the financial position of e3 Partners Ministry as of March 31, 2017 and 2016, and the changes in its net assets and cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Grapevine, Texas
December 18, 2017

e3 PARTNERS MINISTRY

Statements of Financial Position

	March 31,	
	<u>2017</u>	<u>2016</u>
ASSETS:		
Cash and cash equivalents	\$ 1,515,250	\$ 1,298,105
Investments	80,176	178,633
Grants receivable	127,937	123,653
Asset held for sale	49,018	75,000
Contributions receivable–net	847,500	1,591,875
Inventory	229,448	259,148
Prepaid mission trips	668,323	754,126
Other assets	463,559	551,348
Property and equipment–net	<u>515,372</u>	<u>650,793</u>
Total Assets	<u>\$ 4,496,583</u>	<u>\$ 5,482,681</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable, accrued expenses, and other liabilities	\$ 665,642	\$ 613,118
	<u>665,642</u>	<u>613,118</u>
Net assets:		
Unrestricted:		
Undesignated	283,830	427,701
Invested in property and equipment	<u>515,372</u>	<u>650,793</u>
	799,202	1,078,494
Temporarily restricted	<u>3,031,739</u>	<u>3,791,069</u>
	<u>3,830,941</u>	<u>4,869,563</u>
Total Liabilities and Net Assets	<u>\$ 4,496,583</u>	<u>\$ 5,482,681</u>

See notes to financial statements

e3 PARTNERS MINISTRY

Statements of Activities

	Year Ended March 31,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 6,530,703	\$ 10,654,370	\$ 17,185,073	\$ 4,204,510	\$ 15,027,297	\$ 19,231,807
Product sales	573,759	-	573,759	790,031	-	790,031
Gift-in-kind contributions	219,396	-	219,396	198,313	-	198,313
Event registration	141,123	-	141,123	106,577	-	106,577
Investment and other income	134,816	-	134,816	105,164	-	105,164
Total Support and Revenue	7,599,797	10,654,370	18,254,167	5,404,595	15,027,297	20,431,892
RECLASSIFICATIONS:						
Satisfaction of purpose restrictions	8,614,563	(8,614,563)	-	10,285,392	(10,285,392)	-
Expiration of time restrictions	1,291,875	(1,291,875)	-	2,282,976	(2,282,976)	-
Administrative assessments	1,507,262	(1,507,262)	-	1,817,177	(1,817,177)	-
	11,413,700	(11,413,700)	-	14,385,545	(14,385,545)	-
EXPENSES:						
Program activities:						
e3 Partners	13,915,276	-	13,915,276	12,854,197	-	12,854,197
e3 Resources	451,303	-	451,303	361,747	-	361,747
I am Second	1,887,025	-	1,887,025	4,046,793	-	4,046,793
	16,253,604	-	16,253,604	17,262,737	-	17,262,737
Supporting activities:						
Management and general	1,502,018	-	1,502,018	1,812,421	-	1,812,421
Fund-raising	1,537,167	-	1,537,167	805,521	-	805,521
Total Expenses	19,292,789	-	19,292,789	19,880,679	-	19,880,679
 Change in Net Assets	 (279,292)	 (759,330)	 (1,038,622)	 (90,539)	 641,752	 551,213
 Net Assets, Beginning of Year	 1,078,494	 3,791,069	 4,869,563	 1,169,033	 3,149,317	 4,318,350
 Net Assets, End of Year	 \$ 799,202	 \$ 3,031,739	 \$ 3,830,941	 \$ 1,078,494	 \$ 3,791,069	 \$ 4,869,563

See notes to financial statements

e3 PARTNERS MINISTRY

Statements of Cash Flows

	Year Ended March 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,038,622)	\$ 551,213
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	135,421	127,552
Realized and unrealized (gains) losses on investments	(5,020)	18,077
Loss on asset held for sale	25,982	-
Changes in operating assets and liabilities:		
Grant receivable	(4,284)	15,187
Contributions receivable	744,375	(952,024)
Inventory	29,700	(65,021)
Prepaid mission trips	85,803	(272,410)
Other assets	87,789	(231,090)
Accounts payable, accrued expenses, and other liabilities	52,524	(37,085)
Net Cash Provided (Used) by Operating Activities	113,668	(845,601)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	288,589	-
Investment purchases	(185,112)	-
Purchases of property and equipment	-	(165,722)
Net Cash Provided (Used) by Investing Activities	103,477	(165,722)
Net Change in Cash and Cash Equivalents	217,145	(1,011,323)
Cash and Cash Equivalents, Beginning of Year	1,298,105	2,309,428
Cash and Cash Equivalents, End of Year	\$ 1,515,250	\$ 1,298,105

See notes to financial statements

e3 PARTNERS MINISTRY

Notes to Financial Statements

March 31, 2017 and 2016

1. NATURE OF ORGANIZATION:

e3 Partners Ministry (e3) is located in Plano, Texas, and is incorporated under the laws of the State of Texas as a not-for-profit religious corporation. e3 is a multi-denominational evangelistic and outreach organization to people throughout the world. e3's mission is to equip God's servants, evangelize people throughout the world, and establish churches in foreign countries. e3's primary source of revenue is from contributions from supporters of e3's ministry campaigns, staff support, and operations support.

e3 extends its missions through its divisions: e3 Partners, e3 Resources, and I am Second. e3's primary mission activity is recruiting and equipping volunteer missionaries to evangelize and plant churches throughout the world through short-term mission trips. e3 focuses on providing national leaders and new churches with training and materials necessary to disciple new believers and develop multiplying churches. e3 Resources is a distributor of Christian faith-sharing tools, principally the EvangeCube, and is located in Franklin, Tennessee. I am Second is a movement meant to inspire people of all kinds to live for God and for others.

e3 is a not-for-profit organization exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (the Code), and as such are subject to income taxes only to the extent of unrelated business income. e3 has been classified as a publicly supported organization, which is not a private foundation, under Section 509(a) of the Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of e3 have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in checking and savings accounts. These accounts may, at times, exceed federally insured limits. e3 has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

INVESTMENTS

Investments consist of a global mutual fund that is recorded at fair value based on readily determinable values which are considered Level 1 under the *Fair Value* topic of the FASB ASC. The fair value of Level 1 securities is determined by reference to quoted market prices and other relevant information generated by market transactions. Realized and unrealized gains and losses are recorded in the statements of activities in the period in which they occur. Donated investments are recorded at fair value on the date of the gift.

e3 PARTNERS MINISTRY

Notes to Financial Statements

March 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of unconditional promises made by donors to give to e3 in a future period. Contributions receivable has a balance of \$847,500 and \$1,591,875 as of March 31, 2017 and 2016, respectively. An allowance of \$0 and \$40,625, respectively, has been recorded as of March 31, 2017 and 2016.

INVENTORY

Inventory is stated at the lower of cost or market using the average cost method, which approximates the first-in, first-out method. As of March 31, 2017 and 2016, inventory consists primarily of EvangeCubes and other resources to support the ministry operations of e3.

PREPAID MISSION TRIPS

Prepaid mission trips consists of payments made in advance for future mission trips.

ASSET HELD FOR SALE

Asset held for sale is valued at the lower of cost and market. The asset sold subsequent to year for \$50,000.

OTHER ASSETS

Other assets consists of prepaid expenses, funds advanced for mission trips occurring in the next fiscal year, and films rights.

e3 capitalizes costs related to internal production of films. Capitalized film costs include production labor, production materials and production overhead. Marketing, distribution, and general and administrative costs related to films are expensed as incurred. Capitalized films are amortized based on the ratio of the current period's gross revenues to estimated remaining total gross revenues from all sources.

Developments costs for projects that have been determined will not go into production are written off. Estimates of total gross revenues can change significantly due to a variety of factors, including the level of market acceptance of films and advertising rates. Accordingly, revenue estimates are reviewed periodically and amortization is adjusted, if necessary. Management assesses impairment annually. As of both March 31, 2017 and 2016, management has concluded there is no impairment of the ministry's capitalized film costs.

For the years ended March 31, 2017 and 2016, there was \$0 amortization, respectively.

e3 PARTNERS MINISTRY

Notes to Financial Statements

March 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

OTHER ASSETS, continued

Other assets consists of:

	March 31,	
	2017	2016
Prepaid expenses	\$ 95,230	\$ 113,081
Mission trip advances	81,771	151,709
Film rights–net	286,558	286,558
	<u>\$ 463,559</u>	<u>\$ 551,348</u>

PROPERTY AND EQUIPMENT

Expenditures for property and equipment greater than \$3,000 are capitalized at cost. Donated items are recorded at fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from three to forty years. Property held for sale is included in property and equipment and is stated at the lower of cost and net realizable value.

CLASSES OF NET ASSETS

The financial statements report amounts by class of net assets:

Unrestricted net assets are currently available for operations under the direction of the board, including those preferenced to support the work of missionaries, and resources invested in property and equipment.

Temporarily restricted net assets are stipulated by donors for specific operating purposes or for the specific programs of e3.

e3 PARTNERS MINISTRY

Notes to Financial Statements

March 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when made, which may be when funds are received, unconditional promises are made, or ownership of other assets is transferred to e3.

e3 receives the majority of contributions through the e3 Partners donor advised fund maintained with Pure Charity (PC), a separate not-for-profit that provides users a platform for creating a donor advised fund, as well as access to resources for fundraising and the management of trips. e3 retains the rights to the underlying donor data for the donations processed through this fund. PC has control over the contributions received through the donor advised fund and is responsible for sending donor receipts. PC provides grants to e3 from the donor advised fund. See Note 5 for a breakdown of PC activity.

e3 reports gifts of cash and other assets as unrestricted support when they are preferenced to support the work of missionaries. Total gifts preferenced for missionary support were \$5,247,142 and \$5,144,288 during the years ended and had an unspent balance of \$2,221,789 and \$2,001,762 as of March 31, 2017 and 2016, respectively.

Product sales revenue is recognized when the product is delivered to the customer, which is when it is considered to be earned. Sales are recorded net of sales discounts, returns, and allowances. Total sales discounts, returns, and allowances for March 31, 2017 and 2016, were \$9,816 and \$15,364, respectively.

Investment and other income is recognized when earned.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs, such as salaries and benefits and depreciation, have been allocated among the program services and supporting activities benefited.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of March 31, 2017 and 2016, e3 had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified in order to conform to current year presentation.

e3 PARTNERS MINISTRY

Notes to Financial Statements

March 31, 2017 and 2016

3. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	March 31,	
	2017	2016
Land	\$ 145,000	\$ 145,000
Building	370,000	370,000
Software	1,109,211	1,109,211
Furniture, fixtures, and equipment	355,273	355,273
Leasehold improvements	29,317	29,317
	2,008,801	2,008,801
Less accumulated depreciation	(1,493,429)	(1,358,008)
	\$ 515,372	\$ 650,793

4. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets for the year ended March 31, 2017, consist of:

	March 31, 2016	Contributions	Reclassification	Transfer	March 31, 2017
Mission trips	\$ 1,227,539	\$ 5,693,475	\$ (5,722,937)	\$ -	\$ 1,198,077
I am Second	462,378	1,723,901	(2,615,117)	1,340,000	911,162
Country projects	367,881	1,349,494	(1,717,375)	-	-
Other projects	66,396	-	(66,396)	-	-
Time restricted	1,666,875	1,887,500	(1,291,875)	(1,340,000)	922,500
	\$ 3,791,069	\$ 10,654,370	\$ (11,413,700)	\$ -	\$ 3,031,739

Temporarily restricted net assets for the year ended March 31, 2016, consist of:

	March 31, 2015	Contributions	Reclassification	March 31, 2016
Mission trips	\$ 1,075,964	\$ 5,941,805	\$ (5,790,230)	\$ 1,227,539
I am Second	421,382	4,522,700	(4,481,704)	462,378
Country projects	870,724	1,327,792	(1,830,635)	367,881
Other projects	66,396	-	-	66,396
Time restricted	714,851	3,235,000	(2,282,976)	1,666,875
	\$ 3,149,317	\$ 15,027,297	\$(14,385,545)	\$ 3,791,069

e3 PARTNERS MINISTRY

Notes to Financial Statements

March 31, 2017 and 2016

5. PURE CHARITY ACTIVITY:

e3 has entered into an agreement with PC for PC to maintain a donor advised fund for e3, and for PC to also provide website and related development services at a set amount. PC activity was as follows:

	Year Ended March 31,	
	2017	2016
PC Revenue and Support:		
Contributions(gross) received through the PC maintained donor advised fund	\$ 13,212,990	\$ 13,308,896
PC processing fees	(595,674)	(515,231)
	<u>12,617,316</u>	<u>12,793,665</u>
PC Revenue sharing income	-	-
	<u>\$ 12,617,316</u>	<u>\$ 12,793,665</u>
PC Expenses:		
Website hosting and donor receipt mailing fees	<u>\$ 26,962</u>	<u>\$ -</u>
	March 31,	
	2017	2016
PC Assets:		
Grants receivable	<u>\$ 127,937</u>	<u>\$ 123,653</u>
PC Liabilities:		
PC donor refund payable	<u>\$ 69,993</u>	<u>\$ 26,153</u>

Grants receivable consist of contributions received by PC and requested by e3 before the fiscal year-end. No allowance has been recorded as all funds were received subsequent to fiscal year-end.

6. UNCERTAINTY:

e3 and PC entered into a Development Agreement related to the PC website platform providing for periodic payments up to \$650,000. e3 does not believe that PC has fulfilled its obligations under this agreement and has not recorded any liability as of March 31, 2017.

e3 PARTNERS MINISTRY

Notes to Financial Statements

March 31, 2017 and 2016

7. NATURAL CLASSIFICATION OF EXPENSES:

	Year Ended March 31, 2017 (With Summarized 2016 Totals)			
	Program Services	General and Administrative	Fund-raising	Total
Salary and benefits	\$ 6,517,615	\$ 628,636	\$ 665,694	\$ 7,811,945
Travel expenses	3,715,678	68,084	81,328	3,865,090
Field expense	2,721,927	24,344	43,159	2,789,430
Professional fees	464,712	214,438	178,886	858,036
Other program expenses	530,202	38,561	109,838	678,601
Occupancy	354,095	119,548	129,563	603,206
Meals and entertainment	495,255	17,134	42,670	555,059
Charitable contributions	429,126	-	-	429,126
Advertising and promotion	242,300	29,854	94,715	366,869
Office expenses	176,844	63,927	86,628	327,399
Telephone	151,528	19,324	46,354	217,206
Cost of goods sold	181,200	-	-	181,200
Insurance	140,947	3,987	-	144,934
Depreciation	82,048	28,351	24,942	135,341
Bad debt expense	-	106,875	-	106,875
Facilities	39,320	23,399	7,406	70,125
Dues and subscriptions	6,263	61,939	-	68,202
Miscellaneous expenses	4,544	25,582	969	31,095
Credit card and processing fees	-	28,035	25,015	53,050
Total	\$ 16,253,604	\$ 1,502,018	\$ 1,537,167	\$ 19,292,789
2016 Total	\$ 17,262,737	\$ 1,812,421	\$ 805,521	\$ 19,880,679

e3 PARTNERS MINISTRY

Notes to Financial Statements

March 31, 2017 and 2016

8. OPERATING LEASES:

e3 leases office space and equipment under non-cancellable operating leases with their office lease expiring January 1, 2020, and other lease terms ending through the year ending March 31, 2019. Total rent expense incurred during the years ended March 31, 2017 and 2016, was \$252,627 and \$563,308 respectively. Future minimum lease payments are:

Year Ending March 31,

2018	\$ 279,745
2019	166,233
2020	<u>1,150</u>
	<u>\$ 447,128</u>

As part of the above operating lease, e3 is provided below market rent for its primary office in Plano, Texas. The difference between the rent paid and the fair value of the rent has been recorded contributions in the statements of activities. e3 received donated rent income of \$219,396 and \$198,313 during the years ended March 31, 2017 and 2016.

9. RETIREMENT PLAN:

e3 sponsors a 403(b) plan (the Plan) covering all employees. The plan does not allow for employer contributions.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through December 18, 2017, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.