



e3 PARTNERS MINISTRY, INC.

Financial Statements
With Independent Auditors' Report

March 31, 2018 and 2017

e3 PARTNERS MINISTRY, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
e3 Partners Ministry, Inc.
Plano, Texas

We have audited the accompanying financial statements of e3 Partners Ministry, Inc., which comprise the statements of financial position as of March 31, 2018 and 2017, 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 audit opinions.

Board of Directors
e3 Partners Ministry, Inc.
Plano, Texas

Basis for Qualified Opinion on 2017 Financial Statements

e3 Partners Ministry, Inc. (e3) and Pure Charity entered into a Development Agreement related to the Pure Charity website platform providing for payments up to \$650,000. e3 did not believe that Pure Charity had fulfilled its obligations under this agreement and did not record 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 was necessary.

Opinion

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

In our opinion, the 2018 financial statements referred to above present fairly, in all material respects, the financial position of e3 Partners Ministry, Inc., as of March 31, 2018, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Grapevine, Texas
November 30, 2018

e3 PARTNERS MINISTRY, INC.

Statements of Financial Position

	March 31,	
	<u>2018</u>	<u>2017</u>
ASSETS:		
Cash and cash equivalents	\$ 964,668	\$ 1,515,250
Investments	85,275	80,176
Grants receivable	109,969	127,937
Contributions receivable–net	3,511,622	847,500
Inventory	191,056	229,448
Prepaid mission trips	545,625	668,323
Other assets	496,452	512,577
Property and equipment–net	<u>454,158</u>	<u>515,372</u>
Total Assets	<u>\$ 6,358,825</u>	<u>\$ 4,496,583</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable, accrued expenses, and other liabilities	\$ 463,985	\$ 665,642
	<u>463,985</u>	<u>665,642</u>
Net assets:		
Unrestricted:		
Undesignated	1,248,579	283,830
Invested in property and equipment	454,158	515,372
	<u>1,702,737</u>	<u>799,202</u>
Temporarily restricted	4,192,103	3,031,739
	<u>5,894,840</u>	<u>3,830,941</u>
Total Liabilities and Net Assets	<u>\$ 6,358,825</u>	<u>\$ 4,496,583</u>

See notes to financial statements

e3 PARTNERS MINISTRY, INC.

Statements of Activities

	Year Ended March 31,					
	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 7,577,765	\$ 10,996,456	\$ 18,574,221	\$ 6,530,703	\$ 10,654,370	\$ 17,185,073
Product sales	537,444	-	537,444	573,759	-	573,759
Gift-in-kind contributions	212,015	-	212,015	219,396	-	219,396
Investment and other income	145,497	-	145,497	275,939	-	275,939
Total Support and Revenue	8,472,721	10,996,456	19,469,177	7,599,797	10,654,370	18,254,167
RECLASSIFICATIONS:						
Satisfaction of purpose restrictions	8,644,038	(8,644,038)	-	8,614,563	(8,614,563)	-
Expiration of time restrictions	165,878	(165,878)	-	1,291,875	(1,291,875)	-
Administrative assessments	1,026,176	(1,026,176)	-	1,507,262	(1,507,262)	-
	9,836,092	(9,836,092)	-	11,413,700	(11,413,700)	-
EXPENSES:						
Program activities:						
e3 Partners	12,959,808	-	12,959,808	13,915,276	-	13,915,276
e3 Resources	255,877	-	255,877	451,303	-	451,303
I am Second	1,497,969	-	1,497,969	1,887,025	-	1,887,025
	14,713,654	-	14,713,654	16,253,604	-	16,253,604
Supporting activities:						
Management and general	1,551,054	-	1,551,054	1,502,018	-	1,502,018
Fund-raising	1,140,570	-	1,140,570	1,537,167	-	1,537,167
Total Expenses	17,405,278	-	17,405,278	19,292,789	-	19,292,789
Change in Net Assets	903,535	1,160,364	2,063,899	(279,292)	(759,330)	(1,038,622)
Net Assets, Beginning of Year	799,202	3,031,739	3,830,941	1,078,494	3,791,069	4,869,563
Net Assets, End of Year	\$ 1,702,737	\$ 4,192,103	\$ 5,894,840	\$ 799,202	\$ 3,031,739	\$ 3,830,941

See notes to financial statements

e3 PARTNERS MINISTRY, INC.

Statements of Cash Flows

	Year Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,063,899	\$ (1,038,622)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	72,584	135,421
Realized and unrealized gains on investments	(4,227)	(5,020)
Loss on asset held for sale	-	25,982
Changes in operating assets and liabilities:		
Grant receivable	17,968	(4,284)
Contributions receivable	(2,664,122)	744,375
Inventory	38,392	29,700
Prepaid mission trips	122,698	85,803
Other assets	16,125	87,789
Accounts payable, accrued expenses, and other liabilities	(201,657)	52,524
Net Cash Provided (Used) by Operating Activities	<u>(538,340)</u>	<u>113,668</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	66,935	288,589
Investment purchases	(67,807)	(185,112)
Purchases of property and equipment	(11,370)	-
Net Cash Provided (Used) by Investing Activities	<u>(12,242)</u>	<u>103,477</u>
Net Change in Cash and Cash Equivalents	(550,582)	217,145
Cash and Cash Equivalents, Beginning of Year	<u>1,515,250</u>	<u>1,298,105</u>
Cash and Cash Equivalents, End of Year	<u>\$ 964,668</u>	<u>\$ 1,515,250</u>

See notes to financial statements

e3 PARTNERS MINISTRY, INC.

Notes to Financial Statements

March 31, 2018 and 2017

1. NATURE OF ORGANIZATION:

e3 Partners Ministry, Inc. (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 church planting organization serving people throughout the world. e3's mission is "To **EQUIP** God's people to **EVANGELIZE** His world by **ESTABLISHING** healthy, multiplying, transformative churches everywhere." e3's primary source of revenue is from contributions from supporters of e3's various ministry divisions.

e3 conducts its operations through three affiliated ministry divisions: 1) e3 Partners, 2) e3 Resources, and 3) I Am Second. e3 Partners' primary ministry is assisting local leaders in planting churches both domestically and abroad. It does so by developing and maintaining an extensive network of national partners in over 50 countries, offering extensive training and coaching to churches and individuals around the world, mobilizing short-term mission teams abroad, and by recruiting, equipping, and supporting long-term missionaries in both the US and overseas. e3 Resources is a distributor of Christian literature and resources, principally the EvangeCube and its related materials, and is located in Franklin, Tennessee. I Am Second is a Christian media ministry devoted to the production and distribution of quality faith-based content meant to lift up the name of Jesus and to inspire people from all walks of life to live for Him first and themselves and others second.

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 is 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. As of March 31, 2018 and 2017, e3 had cash balances that exceeded federally insured limits by approximately \$700,000 and \$1,150,000, respectively. 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, INC.

Notes to Financial Statements

March 31, 2018 and 2017

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 \$3,511,622 and \$847,500 as of March 31, 2018 and 2017, respectively. An allowance of \$100,000 and \$0, has been recorded as of March 31, 2018 and 2017, respectively.

INVENTORY

Inventory is stated at the lower of cost or net realizable value, using the average cost method, which approximates the first-in, first-out method. As of March 31, 2018 and 2017, inventory consists primarily of EvangeCubes and other resources to support the ministry operations of e3.

PREPAID MISSION TRIPS

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

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, 2018 and 2017, management has concluded there is no impairment of the ministry's capitalized film costs.

For the years ended March 31, 2018 and 2017, there was \$29,543 and \$0 amortization, respectively.

e3 PARTNERS MINISTRY, INC.

Notes to Financial Statements

March 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

OTHER ASSETS, continued

Other assets consists of:

	March 31,	
	2018	2017
Prepaid expenses	\$ 131,048	\$ 95,230
Mission trip advances	16,079	81,771
Film rights–net	349,325	286,558
Asset held for sale	-	49,018
	<u>\$ 496,452</u>	<u>\$ 512,577</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, INC.

Notes to Financial Statements

March 31, 2018 and 2017

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 \$4,279,150 and \$5,247,142 during the years ended and had an unspent balance of \$1,981,380 and \$2,221,789 as of March 31, 2018 and 2017, 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, 2018 and 2017, were \$13,106 and \$9,816, 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.

e3 PARTNERS MINISTRY, INC.

Notes to Financial Statements

March 31, 2018 and 2017

3. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consist of:

	March 31,	
	2018	2017
Land	\$ 145,000	\$ 145,000
Building	370,000	370,000
Software	1,116,881	1,109,211
Furniture, fixtures, and equipment	359,273	355,273
Leasehold improvements	29,317	29,317
	2,020,471	2,008,801
Less accumulated depreciation	(1,566,313)	(1,493,429)
	\$ 454,158	\$ 515,372

4. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets for the year ended March 31, 2018, consist of:

	March 31, 2017	Contributions	Reclassification	Transfer	March 31, 2018
Mission trips	\$ 1,198,077	\$ 5,934,210	\$ (6,263,081)	\$ 57,312	\$ 926,518
I am Second	911,162	2,180,029	(2,232,228)	572,500	1,431,463
Country projects	-	1,232,217	(1,174,905)	(57,312)	-
Other projects	-				-
Time restricted	922,500	1,650,000	(165,878)	(572,500)	1,834,122
	\$ 3,031,739	\$ 10,996,456	\$ (9,836,092)	\$ -	\$ 4,192,103

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

	March 31, 2016	Contributions	Reclassification	Transfers	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

e3 PARTNERS MINISTRY, INC.

Notes to Financial Statements

March 31, 2018 and 2017

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,	
	2018	2017
PC Revenue and Support:		
Contributions(gross) received through the PC maintained donor advised fund	\$ 11,481,659	\$ 13,212,990
PC processing fees	<u>(469,660)</u>	<u>(595,674)</u>
	<u>\$ 11,011,999</u>	<u>\$ 12,617,316</u>
PC Expenses:		
Website hosting and donor receipt mailing fees	<u>\$ 19,307</u>	<u>\$ 26,262</u>
	March 31,	
	2018	2017
PC Assets:		
Grants receivable	<u>\$ 109,969</u>	<u>\$ 127,937</u>
PC Liabilities:		
PC donor refund payable	<u>\$ 25,000</u>	<u>\$ 69,993</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.

After the close of the fiscal year, e3 amended its agreement with Pure Charity (PC) to update the procedures for the collection and reporting of donations by PC. These updated procedures include more donor friendly website interaction and more visibility of e3 as the recipient of the donated funds. The amendment extends the relationship between e3 and PC until June 30, 2023. The amendment includes a provision that reduces the disputed \$500,000 obligation of e3 by \$100,000 each July during the term of the amended agreement. No liability has been recorded.

e3 PARTNERS MINISTRY, INC.

Notes to Financial Statements

March 31, 2018 and 2017

6. NATURAL CLASSIFICATION OF EXPENSES:

	Year Ended March 31, 2018 (With Summarized 2017 Totals)			
	Program Services	General and Administrative	Fund-raising	Total
Salary and benefits	\$ 6,031,224	\$ 414,839	\$ 643,548	\$ 7,089,611
Travel expenses	3,801,820	45,000	42,318	3,889,138
Field expense	2,210,663	-	-	2,210,663
Professional fees	470,442	738,943	3,050	1,212,435
Other program expenses	192,641	12,140	41,665	246,446
Occupancy	391,943	75,439	142,773	610,155
Meals and entertainment	451,447	15,244	32,430	499,121
Production and honorarium expenses	227,911	16,279	81,397	325,587
Office expenses	239,693	23,564	51,008	314,265
Advertising and promotion	153,704	11,276	50,297	215,277
Cost of goods sold	190,489	-	-	190,489
Depreciation and amortization	62,663	17,465	22,001	102,129
Miscellaneous expenses	110,980	13,754	19,012	143,746
Insurance	105,979	14,320	11,071	131,370
Bad debt	-	100,000	-	100,000
Charitable contributions	72,055	-	-	72,055
Credit card and processing fees	-	52,791	-	52,791
Total	\$ 14,713,654	\$ 1,551,054	\$ 1,140,570	\$ 17,405,278
2017 Total	\$ 16,253,604	\$ 1,502,018	\$ 1,537,167	\$ 19,292,789

e3 PARTNERS MINISTRY, INC.

Notes to Financial Statements

March 31, 2018 and 2017

7. 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, 2018 and 2017, was \$620,230 and \$618,030 respectively. Future minimum lease payments are:

Year Ending March 31,

2019	\$ 166,233
2020	<u>1,150</u>
	<u>\$ 167,383</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 \$212,015 and \$219,396 during the years ended March 31, 2018 and 2017.

8. RETIREMENT PLAN:

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

9. SUBSEQUENT EVENTS:

Subsequent to year-end, e3 negotiated an asset purchase agreement divesting e3 Resources, a ministry division of e3 described in Note 1, and its related inventory of Christian literature and products, principally the EvangeCube and its related materials. The agreement includes royalty income to be paid to e3 on a sliding scale from 6-10% over the next five years based on the transferred inventory and any newly developed e3 products related to the EvangeCube.

Subsequent events have been evaluated through November 30, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.