



e3 PARTNERS MINISTRY, INC.

Consolidated Financial Statements  
With Independent Auditors' Report

March 31, 2020 and 2019

# 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 consolidated financial statements of e3 Partners Ministry, Inc., which comprise the consolidated statements of financial position as of March 31, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the consolidated 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 consolidated 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 consolidated 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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of e3 Partners Ministry, Inc., as of March 31, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Grapevine, Texas  
September 3, 2020

## e3 PARTNERS MINISTRY, INC.

### Consolidated Statements of Financial Position

	March 31,	
	2020	2019
<b>ASSETS:</b>		
Cash	\$ 2,554,932	\$ 1,798,856
Grants receivable	94,175	187,682
Contributions receivable–net	1,865,830	3,885,000
Noncash contribution receivable	447,596	-
Prepaid mission trips	271,254	584,724
Other assets	660,970	661,899
Property and equipment–net	641,679	523,855
 Total Assets	 \$ 6,536,436	 \$ 7,642,016
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable, accrued expenses, and other liabilities	\$ 226,154	\$ 466,512
Notes payable	400,000	450,000
	626,154	916,512
 Net assets:		
Net assets without donor restrictions	1,941,499	594,074
Net assets with donor restrictions	3,968,783	6,131,430
	5,910,282	6,725,504
 Total Liabilities and Net Assets	 \$ 6,536,436	 \$ 7,642,016

See notes to consolidated financial statements

# e3 PARTNERS MINISTRY, INC.

## Consolidated Statements of Activities

	Year Ended March 31,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 5,244,409	\$ 6,851,186	\$12,095,595	\$ 5,293,173	\$ 10,199,710	\$ 15,492,883
Gift-in-kind contributions	197,528	1,003,596	1,201,124	278,361	-	278,361
Other income	239,314	-	239,314	446,789	-	446,789
<b>Total Support and Revenue</b>	<b>5,681,251</b>	<b>7,854,782</b>	<b>13,536,033</b>	<b>6,018,323</b>	<b>10,199,710</b>	<b>16,218,033</b>
<b>RECLASSIFICATIONS:</b>						
Satisfaction of purpose restrictions	7,087,005	(7,087,005)	-	7,164,878	(7,164,878)	-
Expiration of time restrictions	2,105,000	(2,105,000)	-	59,122	(59,122)	-
Administrative assessments	825,424	(825,424)	-	1,036,383	(1,036,383)	-
	10,017,429	(10,017,429)	-	8,260,383	(8,260,383)	-
<b>EXPENSES:</b>						
Program activities:						
e3 Partners	10,811,347	-	10,811,347	11,392,153	-	11,392,153
I am Second	1,387,127	-	1,387,127	1,595,245	-	1,595,245
	12,198,474	-	12,198,474	12,987,398	-	12,987,398
Supporting activities:						
Management and general	913,511	-	913,511	1,317,536	-	1,317,536
Fundraising	1,239,270	-	1,239,270	1,082,435	-	1,082,435
<b>Total Expenses</b>	<b>14,351,255</b>	<b>-</b>	<b>14,351,255</b>	<b>15,387,369</b>	<b>-</b>	<b>15,387,369</b>
 Change in Net Assets	 1,347,425	 (2,162,647)	 (815,222)	 (1,108,663)	 1,939,327	 830,664
Net Assets, Beginning of Year	594,074	6,131,430	6,725,504	1,702,737	4,192,103	5,894,840
Net Assets, End of Year	\$ 1,941,499	\$ 3,968,783	\$ 5,910,282	\$ 594,074	\$ 6,131,430	\$ 6,725,504

See notes to consolidated financial statements

## e3 PARTNERS MINISTRY, INC.

### Consolidated Statements of Cash Flows

	Year Ended March 31,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (815,222)	\$ 830,664
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	98,764	38,370
Bad debt expense	-	55,000
Debt forgiveness	(50,000)	-
Changes in operating assets and liabilities:		
Grant receivable	93,507	(77,713)
Contributions receivable	2,019,170	(428,378)
Noncash contributions receivable	(447,596)	-
Prepaid mission trips	313,470	(39,099)
Other assets	(74,845)	85,946
Accounts payable, accrued expenses, and other liabilities	(240,358)	2,527
Net Cash Provided by Operating Activities	896,890	467,317
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(140,814)	(83,129)
Net Cash Used by Investing Activities	(140,814)	(83,129)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from notes payable	-	450,000
Net Cash Provided by Financing Activities	-	450,000
Net Change in Cash and Cash Equivalents	756,076	834,188
Cash and Cash Equivalents, Beginning of Year	1,798,856	964,668
Cash and Cash Equivalents, End of Year	\$ 2,554,932	\$ 1,798,856
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Disposal of fully depreciated assets	\$ -	\$ 565,548

See notes to consolidated financial statements

# e3 PARTNERS MINISTRY, INC.

## Notes to Consolidated Financial Statements

March 31, 2020 and 2019

### 1. NATURE OF ORGANIZATION:

e3 Partners Ministry, Inc. (e3 Ministry) is located in Plano, Texas and is incorporated under the laws of the State of Texas as a not-for-profit religious corporation. e3 Ministry is a multi-denominational evangelistic and church planting organization serving people throughout the world. e3 Ministry's mission is "To **EQUIP** God's people to **EVANGELIZE** His world by **ESTABLISHING** healthy, multiplying, transformative churches everywhere." e3 Ministry's primary source of revenue is from contributions from supporters of e3 Ministry's various ministry divisions.

e3 Ministry 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. In July 2018, e3 Ministry entered into an agreement with another organization to sell the majority of their e3 Resources inventory, and no longer operates this division. 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 Ministry 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 Ministry has been classified as a publicly supported organization, which is not a private foundation under section 509(a) of the Code.

During the year ended March 31, 2019, e3 Ministry formed two new wholly owned for-profit entities, IAS Media, and LKL Film, LLC.

IAS Media distributes and promotes select content and products produced by I Am Second and its associated vendors to mainstream outlets. These products utilize traditional for-profit television, streaming, and merchandise platforms to reach as wide of a worldwide audience as possible and involve a wide number and variety of vendors to create, market, promote, and sell the content/products in the worldwide media and merchandise marketplace. This company primarily has sole or potentially partial ownership of specific project LLC's in which the business is actually conducted.

LKL Film has licensed certain rights from e3 Ministry (I Am Second) and IAS Media, and now owns the copyright to the feature documentary, Loud Crazy Love. LKL Film managed the completion process of the film and coordinates its distribution, marketing, and promotion to a worldwide audience. IAS Media is the sole owner of LKL Film and will directly receive the income once profit distributions are declared from the business.



# **e3 PARTNERS MINISTRY, INC.**

## **Notes to Consolidated Financial Statements**

March 31, 2020 and 2019

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The consolidated financial statements of e3 Ministry have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader. The preparation of the consolidated 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.

#### **PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the financial resources and activities of e3, LKL Film and IAS Media. All material transactions and balances between these entities have been eliminated in consolidation. The organizations will be collectively referred to as “e3” throughout the notes to the consolidated financial statements.

#### **CASH**

Cash consists of cash in checking and savings accounts. These accounts may, at times, exceed federally insured limits. As of March 31, 2020 and 2019, e3 had cash balances that exceeded federally insured limits by approximately \$2,352,000 and \$1,560,000, 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.

#### **NONCASH CONTRIBUTIONS RECEIVABLE**

Noncash contributions receivable consist of a promise made by a lessor to provide below market rent through August 2022 and is valued at estimated fair value of the donated rent.

#### **CONTRIBUTIONS RECEIVABLE–NET**

Contributions receivable consist of unconditional promises made by donors to give to e3 in a future period. Contributions receivable has a balance of \$1,865,830 and \$3,885,000 as of March 31, 2020 and 2019, respectively. An allowance of \$50,000, has been recorded as of both March 31, 2020 and 2019. All contributions receivables are expected to be received within one year.

During the year ended March 31, 2019, e3 received a conditional matching pledge from a donor for \$1,250,000. As of March 31, 2020, the matching funds were raised, and a receivable has been recorded.

#### **PREPAID MISSION TRIPS**

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

# e3 PARTNERS MINISTRY, INC.

## Notes to Consolidated Financial Statements

March 31, 2020 and 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### OTHER ASSETS

Other assets consists of prepaid expenses, investments in mutual funds, inventory, funds advanced for mission trips occurring in the next fiscal year, and capitalized film costs.

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 film costs are amortized based on the ratio of the current period's gross revenues to estimated remaining total gross revenues from all sources.

Development 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, 2020 and 2019, management has concluded there is no impairment of the ministry's capitalized film costs.

For the years ended March 31, 2020 and 2019, there was \$75,773 and \$24,938 of amortization, respectively.

Other assets consists of:

	March 31,	
	2020	2019
Prepaid expenses	\$ 251,198	\$ 160,254
Investments	67,247	73,284
Inventory	37,788	48,401
Mission trip advances	56,124	55,573
Capitalized film costs—net	248,613	324,387
	<u>\$ 660,970</u>	<u>\$ 661,899</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.

# e3 PARTNERS MINISTRY, INC.

## Notes to Consolidated Financial Statements

March 31, 2020 and 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CLASSES OF NET ASSETS

The consolidated financial statements report amounts by class of net assets:

*Net assets without donor restrictions* 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.

*Net assets with donor restrictions* are stipulated by donors for specific operating purposes or for the specific programs of e3.

#### 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.

Through December 31, 2018, e3 received 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 retained the rights to the underlying donor data for the donations processed through this fund. PC had control over the contributions received through the donor advised fund and was responsible for sending donor receipts. PC provided grants to e3 from the donor advised fund. As of January 1, 2019, the agreement e3 had with Pure Charity was amended, and contributions processed by Pure Charity are no longer sent to e3 through a donor advised fund. e3 now has control over the funds and receipts the donors. See Note 7 for a breakdown of PC activity.

e3 reports gifts of cash and other assets as support without donor restrictions when they are preferenced to support the work of missionaries. Total gifts preferenced for missionary support were \$4,836,465 and \$4,575,616, respectively, during the years ended and had an unspent balance of \$2,184,409 and \$2,035,013 as of March 31, 2020 and 2019, respectively.

Investment and other income is recognized when earned.

Expenses are reported when costs are incurred in accordance with the accrual basis of accounting.

#### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs, such as salaries and benefits and depreciation, have been allocated among the program services and supporting activities benefited. Depreciation is allocated based on usage of space. Costs of other categories were allocated based on estimates of time and effort.

# e3 PARTNERS MINISTRY, INC.

## Notes to Consolidated Financial Statements

March 31, 2020 and 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

In 2018, FASB issued ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958)—Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. e3 adopted the provisions of this new standard as a resource recipient in the current year. Adoption of this standard did not have a material impact on the consolidated financial statements.

### 3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects e3's financial assets as of March 31, 2020:

	March 31,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 2,554,932	\$ 1,798,856
Grants receivable	94,175	187,682
Contributions receivable—net	1,865,830	3,885,000
Investments	67,247	73,284
Total financial assets available to meet general expenditures within one year	<u>\$ 4,582,184</u>	<u>\$ 5,944,822</u>

As part of e3's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of March 31, 2020 and 2019, e3 had net contributions receivable outstanding of \$1,865,830 and \$3,885,000, respectively. These contributions receivable are all expected to be received in the next fiscal year and will be available to meet general expenditures. Additionally, e3 had \$1,595,357 and \$2,246,430, respectively, of net assets restricted for certain projects and mission trips. These funds are considered available to meet general expenditures within one year.

# e3 PARTNERS MINISTRY, INC.

## Notes to Consolidated Financial Statements

March 31, 2020 and 2019

4. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	March 31,	
	2020	2019
Land	\$ 145,000	\$ 145,000
Building	467,779	370,000
Software	551,333	551,333
Furniture, fixtures, and equipment	167,124	155,790
Leasehold improvements	5,877	5,877
	<u>1,337,113</u>	<u>1,228,000</u>
Less accumulated depreciation	<u>(810,264)</u>	<u>(787,273)</u>
	526,849	440,727
Construction in progress	<u>114,830</u>	<u>83,128</u>
	<u>\$ 641,679</u>	<u>\$ 523,855</u>

## e3 PARTNERS MINISTRY, INC.

### Notes to Consolidated Financial Statements

March 31, 2020 and 2019

5. NOTES PAYABLE:

During the year ended March 31, 2019, e3 borrowed \$450,000 from two related parties (one note in the amount of \$200,000 and one note in the amount of \$250,000). Original maturity of the notes were February 2020 and March 2020. During the year ended March 31, 2020, \$50,000 was forgiven on the \$200,000 note, and the notes were extended to February 2021 and March 2021. Both loans have a 5% interest rate. Interest and principal are due in full at maturity. Total interest expense incurred during the year for both loans was \$21,875 and \$12,296, respectively.

6. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions for the year ended March 31, 2020, consist of:

	March 31, 2019	Contributions	Reclassifications	Transfer	March 31, 2020
Mission trips	\$ 790,481	\$ 3,723,720	\$ (4,397,859)	\$ (111,327)	\$ 5,015
I am Second	1,455,949	819,803	(2,137,958)	1,354,170	1,491,964
Country projects	-	1,363,663	(1,376,612)	111,327	98,378
Time restricted	3,885,000	1,947,596	(2,105,000)	(1,354,170)	2,373,426
	<u>\$ 6,131,430</u>	<u>\$ 7,854,782</u>	<u>\$ (10,017,429)</u>	<u>\$ -</u>	<u>\$ 3,968,783</u>

Net assets with donor restrictions for the year ended March 31, 2019, consist of:

	March 31, 2018	Contributions	Reclassifications	Transfers	March 31, 2019
Mission trips	\$ 926,518	\$ 5,019,325	\$ (5,581,578)	\$ 426,216	\$ 790,481
I am Second	1,431,463	343,288	(1,968,802)	1,650,000	1,455,949
Country projects	-	1,077,097	(650,881)	(426,216)	-
Time restricted	1,834,122	3,760,000	(59,122)	(1,650,000)	3,885,000
	<u>\$ 4,192,103</u>	<u>\$ 10,199,710</u>	<u>\$ (8,260,383)</u>	<u>\$ -</u>	<u>\$ 6,131,430</u>

# e3 PARTNERS MINISTRY, INC.

## Notes to Consolidated Financial Statements

March 31, 2020 and 2019

7. PURE CHARITY ACTIVITY:

e3 has an agreement with PC for PC to process and receipt donations 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,	
	2020	2019
PC Revenue and Support:		
Contributions(gross) received through the PC maintained donor advised fund	\$ -	\$ 8,610,940
Contributions processed by PC*	9,333,022	3,006,510
	\$ 9,333,022	\$ 11,617,450
PC Expenses:		
PC processing fees	\$ 170,052	\$ 281,186
Website hosting and donor receipt mailing fees	104,048	20,734
Platform fees	96,000	144,000
	\$ 370,100	\$ 445,920
March 31,		
	2020	2019
PC Assets:		
Grants receivable	\$ 94,175	\$ 187,682

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.

\*During the year ended March 31, 2019, e3 amended its agreement with 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. e3 now also has control over the donated funds and receipts the donors.

The amendment extends the relationship between e3 and PC until June 30, 2023. e3 has no intention to sever the agreement before June 30, 2023.

## e3 PARTNERS MINISTRY, INC.

### Notes to Consolidated Financial Statements

March 31, 2020

8. NATURAL CLASSIFICATION OF EXPENSES:

For the year ended March 31, 2020, expenses have been allocated on a functional basis as follows:

	Program Activities			Management and General	Fundraising	Total
	e3 Partners	I Am Second	Total Program			
Salary and benefits	\$ 4,428,593	\$ 422,291	\$ 4,850,884	\$ 427,565	\$ 552,503	\$ 5,830,952
Travel expenses	2,856,299	39,069	2,895,368	88,610	82,999	3,066,977
Field expense	1,690,235	26,073	1,716,308	-	-	1,716,308
Professional fees	413,517	153,350	566,867	176,650	192,552	936,069
Advertising and promotion	43,560	460,384	503,944	35,973	170,125	710,042
Occupancy	262,423	14,041	276,464	74,806	122,280	473,550
Meals and entertainment	366,621	8,343	374,964	12,064	15,429	402,457
Video, event, and production	164,090	166,939	331,029	2,542	19,007	352,578
Other expenses	291,199	5,043	296,242	15,976	19,760	331,978
Office expenses	106,183	8,920	115,103	22,202	25,459	162,764
Depreciation and amortization	9,797	56,889	66,686	8,437	23,641	98,764
Charitable contributions	93,170	-	93,170	-	-	93,170
Insurance	71,398	-	71,398	9,970	7,421	88,789
Credit card and processing fees	-	-	-	37,622	-	37,622
Cost of goods sold	1,575	25,785	27,360	-	-	27,360
Interest	12,687	-	12,687	1,094	8,094	21,875
	\$ 10,811,347	\$ 1,387,127	\$ 12,198,474	\$ 913,511	\$ 1,239,270	\$ 14,351,255



## e3 PARTNERS MINISTRY, INC.

### Notes to Consolidated Financial Statements

March 31, 2020

8. NATURAL CLASSIFICATION OF EXPENSES, continued:

For the year ended March 31, 2019, expenses have been allocated on a functional basis as follows:

	Program Activities			Management and General	Fundraising	Total
	e3 Partners	I Am Second	Total Program			
Salary and benefits	\$ 4,291,852	\$ 577,888	\$ 4,869,740	\$ 389,824	\$ 545,459	\$ 5,805,023
Travel expenses	3,579,632	72,864	3,652,496	12,867	33,599	3,698,962
Field expense	1,900,852	79,887	1,980,739	-	-	1,980,739
Professional fees	361,051	188,888	549,939	660,396	177,085	1,387,420
Occupancy	252,028	42,192	294,220	64,789	129,244	488,253
Meals and entertainment	443,881	22,295	466,176	11,168	3,285	480,629
Video, event, and production	68,606	348,883	417,489	5,795	22,990	446,274
Other expenses	161,068	73,860	234,928	31,393	73,195	339,516
Advertising and promotion	21,847	128,981	150,828	11,223	52,168	214,219
Office expenses	95,585	13,436	109,021	17,962	24,109	151,092
Insurance	104,586	-	104,586	10,259	8,165	123,010
Charitable contributions	77,888	3,200	81,088	-	-	81,088
Bad debt	-	-	-	55,000	-	55,000
Cost of goods sold	19,622	23,695	43,317	-	-	43,317
Credit card and processing fees	-	-	-	42,161	-	42,161
Depreciation and amortization	6,158	19,176	25,334	4,053	8,983	38,370
Interest	7,497	-	7,497	646	4,153	12,296
	\$ 11,392,153	\$ 1,595,245	\$ 12,987,398	\$ 1,317,536	\$ 1,082,435	\$ 15,387,369

# e3 PARTNERS MINISTRY, INC.

## Notes to Consolidated Financial Statements

March 31, 2020 and 2019

### 9. OPERATING LEASES:

e3 leases office space and equipment under non-cancellable operating leases with their office lease expiring August 31, 2022, and other lease terms ending through the year ending March 31, 2023. Total rent expense incurred during the years ended March 31, 2020 and 2019, was \$473,550 and \$480,233 respectively. Future minimum lease payments are:

<u>Year Ending March 31,</u>	
2021	\$ 269,661
2022	260,237
2023	<u>118,388</u>
	<u>\$ 648,286</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 as contributions in the consolidated statements of activities. e3 received donated rent income of \$182,877 and \$278,361 during the years ended March 31, 2020 and 2019, respectively.

### 10. RISK AND UNCERTAINTY:

In January 2020, the World Health Organization has declared the outbreak of a novel coronavirus as a “Public Health Emergency of International Concern,” ultimately classifying the resulting COVID-19 as a pandemic. Federal, state and local governments have mandated various restrictions, including travel restrictions, restrictions on public gatherings, stay at home advisories, and quarantining of people who may have been exposed to the virus.

The duration of disruption and related impact cannot be reasonably estimated at this time. e3 is monitoring critical program expenditures. As a result of the pandemic, e3 has had to cancel certain mission trips. Expenditures are being reduced as necessary. Management believes that e3 has sufficient reserves and liquidity to fund ongoing essential program activities through this time of uncertainty.

### 11. RETIREMENT PLAN:

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

### 12. RELATED PARTY TRANSACTIONS:

During the years ended March 31, 2020 and 2019, a member of e3’s board of directors pledged to give the organization \$250,000 and \$500,000, respectively, which has been included as contributions receivable on the consolidated statement of financial position.

# **e3 PARTNERS MINISTRY, INC.**

## **Notes to Consolidated Financial Statements**

March 31, 2020 and 2019

13. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through September 3, 2020, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.