

LEADING THE WAY WITH
DR. MICHAEL YOUSSEF, INC. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018
AND
INDEPENDENT AUDITORS' REPORT

LEADING THE WAY WITH DR. MICHAEL YOUSSEF, INC. AND AFFILIATE
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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Leading The Way with Dr. Michael Youssef and Affiliate
Atlanta, Georgia

We have audited the accompanying consolidated financial statements of *Leading The Way with Dr. Michael Youssef, Inc. and Affiliate*, ("LTW") which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses 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 misstatement, whether due to fraud or error.

Auditors' 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 of 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 auditors' judgment, including the assessment of the risk 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 *Leading The Way with Dr. Michael Youssef, Inc. and Affiliate* as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Reed, Quinn & McClure, LLC

Lawrenceville, Georgia
March 17, 2020

LEADING THE WAY WITH DR. MICHAEL YOUSSEF, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 15,530,906	\$ 13,375,007
Accounts receivable	92,580	59,721
Prepaid expenses	532,269	924,810
Investments	5,336,488	5,652,433
Property, plant and equipment, net of accumulated depreciation	9,800,847	10,199,069
Projects in progress	1,400	-
Other assets	52,536	53,536
Total assets	\$ 31,347,026	\$ 30,264,576
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 532,129	\$ 495,624
Accrued expenses	459,535	244,725
Deferred revenues	35,045	-
Total liabilities	1,026,709	740,349
 Net Assets		
Without restrictions	30,317,725	29,524,227
With restrictions	2,592	-
Total net assets	30,320,317	29,524,227
Total liabilities and net assets	\$ 31,347,026	\$ 30,264,576

The accompanying notes are an integral part of these financial statements.

LEADING THE WAY WITH DR. MICHAEL YOUSSEF, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 and 2018

	2019			2018		
	Without Restrictions	With Restrictions	Total	Without Restrictions	With Restrictions	Total
REVENUES, GAINS AND SUPPORT						
Contributions	\$ 17,599,002	\$ 945,128	\$ 18,544,130	\$ 14,997,333	\$ 1,906,790	\$ 16,904,123
Product sales	118,138	-	118,138	114,582	-	114,582
Satellite partners	609,503	-	609,503	612,454	-	612,454
Investment income	193,610	-	193,610	90,815	-	90,815
Rental revenues	269,025	-	269,025	247,367	-	247,367
Miscellaneous	47,002	-	47,002	84,579	-	84,579
Loss on disposal of assets	(18,500)	-	(18,500)	-	-	-
Total revenues and support	18,817,780	945,128	19,762,908	16,147,130	1,906,790	18,053,920
Net assets released from restrictions	942,536	(942,536)	-	2,213,813	(2,213,813)	-
Total revenues, gains and support	19,760,316	2,592	19,762,908	18,360,943	(307,023)	18,053,920
EXPENSES AND LOSSES						
Program services						
Domestic	11,476,355	-	11,476,355	10,392,551	-	10,392,551
International	4,752,645	-	4,752,645	5,795,096	-	5,795,096
Total program services	16,229,000	-	16,229,000	16,187,647	-	16,187,647
Management and general	775,992	-	775,992	946,434	-	946,434
Fundraising	1,961,826	-	1,961,826	1,149,014	-	1,149,014
Total expenses and losses	18,966,818	-	18,966,818	18,283,095	-	18,283,095
INCREASE (DECREASE) IN NET ASSETS	793,498	2,592	796,090	77,848	(307,023)	(229,175)
NET ASSETS - BEGINNING OF YEAR	29,524,227	-	29,524,227	29,446,379	307,023	29,753,402
NET ASSETS - END OF YEAR	\$ 30,317,725	\$ 2,592	\$ 30,320,317	\$ 29,524,227	\$ -	\$ 29,524,227

The accompanying notes are an integral part of these financial statements.

LEADING THE WAY WITH DR. MICHAEL YOUSSEF, INC AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services			Management and General	Fundraising	Total
	Domestic Program	International Program	Total Program			
Salaries and benefits	\$ 1,801,915	765,420	\$ 2,567,335	\$ 410,812	\$ 792,345	\$ 3,770,492
Benevolence and grants	-	255,561	255,561	-	-	255,561
Building expenses	85,867	19,515	105,382	15,613	9,107	130,102
Communications and outreach	1,018,365	193,630	1,211,995	-	145,074	1,357,069
Contracted services	345,289	447,410	792,699	78,294	27,996	898,989
Depreciation	669,786	152,224	822,010	121,779	71,038	1,014,827
Events	-	632	632	-	584,443	585,075
Miscellaneous	46,446	23,061	69,507	13,574	11,332	94,413
Office expense	224,389	21,040	245,429	32,212	10,554	288,195
Postage and shipping	147,149	5,923	153,072	1,613	5,301	159,986
Production	127,871	944,287	1,072,158	29	42	1,072,229
Professional services	31,705	9,103	40,808	50,760	166,820	258,388
Program airtime	6,111,051	1,394,204	7,505,255	-	-	7,505,255
Technology and website	628,040	285,696	913,736	24,065	51,580	989,381
Travel	166,045	218,476	384,521	14,071	78,511	477,103
Utilities	72,437	16,463	88,900	13,170	7,683	109,753
Total expenses	<u>\$ 11,476,355</u>	<u>\$ 4,752,645</u>	<u>\$ 16,229,000</u>	<u>\$ 775,992</u>	<u>\$ 1,961,826</u>	<u>\$ 18,966,818</u>

The accompanying notes are an integral part of these financial statements.

LEADING THE WAY WITH DR. MICHAEL YOUSSEF, INC AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services			Management and General	Fundraising	Total
	Domestic Program	International Program	Total Program			
Salaries and benefits	\$ 1,761,009	746,836	\$ 2,507,845	\$ 580,215	\$ 755,385	\$ 3,843,445
Benevolence	-	1,218,018	1,218,018	-	-	1,218,018
Building expenses	88,291	20,066	108,357	16,053	9,364	133,774
Communications and outreach	626,823	262,204	889,027	-	87,718	976,745
Contracted services	232,261	1,175,078	1,407,339	73,365	24,943	1,505,647
Depreciation	628,063	142,742	770,805	114,193	66,613	951,611
Events	-	13,747	13,747	-	-	13,747
Miscellaneous	68,671	18,575	87,246	14,081	14,941	116,268
Office expense	199,641	30,383	230,024	32,602	9,907	272,533
Postage and shipping	136,649	2,362	139,011	1,435	4,044	144,490
Production	246,999	556,814	803,813	29	42	803,884
Professional services	33,988	8,036	42,024	54,118	63,026	159,168
Program airtime	5,597,775	840,239	6,438,014	-	-	6,438,014
Technology and website	527,268	252,333	779,601	25,262	39,930	844,793
Travel	178,893	492,613	671,506	23,041	66,078	760,625
Utilities	66,220	15,050	81,270	12,040	7,023	100,333
Total expenses	<u>\$ 10,392,551</u>	<u>\$ 5,795,096</u>	<u>\$ 16,187,647</u>	<u>\$ 946,434</u>	<u>\$ 1,149,014</u>	<u>\$ 18,283,095</u>

The accompanying notes are an integral part of these financial statements.

LEADING THE WAY WITH DR. MICHAEL YOUSSEF, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 and 2018
Increase (Decrease) in Cash

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 796,090	\$ (229,175)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Loss on disposal of assets	18,500	-
Depreciation	1,014,827	951,611
(Gain) loss on investments	(16,693)	(13,164)
Loss on disposal of property and equipment	1,011	-
Accounts receivable	(33,324)	48,687
Prepaid expenses	392,541	(324,024)
Other assets	1,000	-
Accounts payable	36,970	(87,421)
Accrued expenses	242,013	192,444
Deferred rent	7,842	17,588
Net cash provided (used) by operating activities	2,460,777	556,546
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(637,516)	(446,404)
Purchase of investments	(1,826,219)	(2,326,264)
Proceeds from maturity of investments	2,158,857	2,010,082
Net cash provided (used) by investing activities	(304,878)	(762,586)
INCREASE (DECREASE) IN CASH	2,155,899	(206,040)
Cash - beginning of the year	13,375,007	13,581,047
Cash - end of year	\$ 15,530,906	\$ 13,375,007
SUPPLEMENTAL DISCLOSURES		
Non-cash activities:		
Fair value of non-cash contributions	\$ 495,324	\$ 950,293

The accompanying notes are an integral part of these financial statements.

LEADING THE WAY WITH DR. MICHAEL YOUSSEF, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the accounts of *Leading The Way with Dr. Michael Youssef, Inc.* (“LTW”), and *McMichael Communications Group, Inc.* (“MCG”). All material inter-organization transactions have been eliminated.

Leading The Way with Dr. Michael Youssef, Inc. is a global ministry committed to sharing the Gospel with the lost and equipping believers to grow into a deeper walk with Christ. LTW’s television and radio programs are broadcast in 26 languages, reaching six continents. LTW also produces DVDs, CDs, books, a monthly devotional magazine, solar-powered *Navigator* devices, and daily e-devotionals to spread the light of Christ. Since 2009, THE KINGDOM SAT satellite television channel has broadcasted Biblical Truth in the Muslim World in English, Arabic, and French and has responded to and disciplined viewers through on-the-ground field teams.

McMichael Communications Group, Inc. is a non-profit organization, which was established to serve as a supporting organization to LTW. MCG purchases airtime on radio and television stations throughout the world on behalf of LTW. LTW pays MCG for the cost of the airtime and provides MCG with office space and administrative services at no charge.

LTW is funded primarily through contributions from the general public, The Church of The Apostles of Atlanta, satellite partners, and rental revenues.

Financial Statement Presentation

LTW is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, LTW is required to present a statement of cash flows. Assets on the statement of financial position are listed in order of decreasing liquidity. Liabilities are listed according to nearness of maturity.

Fair Value of Financial Instruments

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, FASB ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels used to measure fair value are as follows:

- Level 1 Quoted prices in an active market for identical assets or liabilities;
- Level 2 Observable inputs other than quoted market prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data;
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities; this includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

LEADING THE WAY WITH DR. MICHAEL YOUSSEF, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
JUNE 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair Value of Financial Instruments - continued

Cash and cash equivalents and accounts payable are stated at cost, which approximates fair value due to their short-term maturity. Collections of art donated to the organization are valued at Level 3 fair values.

Contributions

All contributions and unconditional promises to give are recorded as without restrictions or with restrictions depending on the existence and/or nature of any donor restrictions. Net assets with restrictions are reclassified to net assets without restrictions upon satisfaction of the time or purpose restriction and reported on the statement of activities as net assets released from restrictions. When the donor restrictions are satisfied within the same reporting period as the restricted contribution is made, the restricted contribution is reported as restricted and as released from restriction.

Donated Services and Non-Monetary Assets

Contributions of nonmonetary assets are recorded at fair value at the date of receipt, contributions of services that can be a) measured by the creation or enhancement of a nonfinancial asset or b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not contributed. No amounts have been reflected in the financial statements for contributed services.

Revenues from Lease agreements

Lease revenues are recognized over the term of the lease on a straight-line basis. Amounts recognized in excess of amounts received are included on the statement of financial position in accounts receivable. See Note 9 for further details.

Functional allocation of expenses

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting function of LTW. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, occupancy costs, the Presidents office, and information technology department. Depreciation and occupancy costs are allocated based on square footage, the President's office is allocated based on estimates of time and effort and the information technology department is allocated based on headcount.

Income Taxes

LTW and MCG are qualified as tax-exempt organizations under Internal Revenue Code Section 501(c)(3). The IRS has determined that neither organization is a private foundation. Accordingly, no provision for income taxes is necessary.

Cash and Cash Equivalents

For purposes of reporting on the statement of cash flows, cash and cash equivalents include cash, certificates of deposit and investments with an initial maturity of three months or less.

LEADING THE WAY WITH DR. MICHAEL YOUSSEF, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
JUNE 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Investments

Investments are reported at fair value. Unrealized gains and losses arising from changes in the fair value of the investments are reported in the statements of activities as increases or decreases in net assets as appropriate. Investment fees are reported as a reduction of investment income.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or fair market value at date of donation. Repairs and maintenance are expensed as incurred, and any betterments that extend the useful life of an asset are capitalized. Depreciation is computed using the straight-line method over the estimated useful life of the asset as follows:

<u>Asset Category</u>	<u>Useful Life</u>
Building	39 years
Building improvements	15 years
Equipment	3 - 5 years
Furniture and fixtures	7 years
Intangibles	3 - 5 years

Estimates

Financial statements prepared in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, LTW has evaluated events and transactions for potential recognition or disclosure through March 17, 2020, the date the financial statements were available to be issued.

2. CONCENTRATIONS

Credit risk

LTW maintains its cash balances in high credit quality institutions. These balances are insured by the FDIC up to \$250,000 for interest-bearing accounts, per financial institution. At June 30, 2019 and 2018, LTW had balances in excess of the FDIC insured limits of approximately \$14,600,557 and \$13,743,333 respectively.

LTW maintains investments in a brokerage account that is a member of the Securities Investor Protection Corporation (SIPC) which protects against the loss of cash and securities in the event of insolvency and liquidation. SIPC coverage is limited to \$500,000 per customer, including up to \$250,000 for cash. In addition, there is insurance coverage which becomes available if the SIPC limit is exhausted and provides additional protection up to \$1 billion, including \$1.9 million for cash per customer. SIPC does not insure the quality of investments or protect against market losses.

LEADING THE WAY WITH DR. MICHAEL YOUSSEF, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
JUNE 30, 2019 and 2018

3. INVESTMENTS

The three levels used to measure fair value are as follows:

- Level 1 Quoted prices in an active market for identical assets or liabilities;
- Level 2 Observable inputs other than quoted market prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data;
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities; this includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Investments consist of the following at June 30:

<u>2019</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of Deposit	\$ -	\$ -	\$ -	\$ -
Fixed income funds	4,076,488	-	4,076,488	-
Fixed indexed annuity	547,956	-	-	547,956
Limited partnership	12,302	-	-	12,302
Money market funds	672,311	672,311	-	-
Mutual funds	27,431	27,431	-	-
	<u>\$ 5,336,488</u>	<u>\$ 699,742</u>	<u>\$ 4,076,488</u>	<u>\$ 560,258</u>
<u>2018</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of Deposit	\$ 1,005,785	\$ 1,005,785	\$ -	\$ -
Fixed income funds	2,252,656	-	2,252,656	-
Fixed indexed annuity	1,685,068	-	-	1,685,068
Limited partnership	12,399	-	-	12,399
Money market funds	671,505	671,505	-	-
Mutual funds	25,020	25,020	-	-
	<u>\$ 5,652,433</u>	<u>\$ 1,702,310</u>	<u>\$ 2,252,656</u>	<u>\$ 1,697,467</u>

Investments using Level 2 inputs consist of U.S. treasury bonds. The fixed income securities are priced using the outside pricing vendor. In determining the fair value of these investments, the pricing vendors use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield and other terms and conditions of each security.

Investments using Level 3 inputs consist of two fixed income annuity instruments. The earnings are bench-marked to the S&P 500 index value rather than the interest rate. At June 30, 2019, the performance rate was 3.1.

Also included in Level 3 inputs is a limited partnership. The fair value is equal to LTW's capital account balances reported on the investees' financial statements. The investees have adjusted the capital accounts on their financial statements to reflect the fair market value of the underlying investment.

LEADING THE WAY WITH DR. MICHAEL YOUSSEF, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
JUNE 30, 2019 and 2018

3. INVESTMENTS – Continued

The following is a reconciliation of the beginning and ending balances for Level 2 and Level 3 investments measured at fair value on a recurring basis for the year ended June 30,

<u>2019</u>	<u>Level 2</u>	<u>Level 3</u>
Beginning balances	\$ 2,252,656	\$ 1,697,467
Purchases	6,051,950	-
Sales/redemption	(4,313,100)	(1,192,276)
Earnings	84,982	55,067
Ending balance	<u>\$ 4,076,488</u>	<u>\$ 560,258</u>
<u>2018</u>	<u>Level 2</u>	<u>Level 3</u>
Beginning balances	\$ -	\$ 1,632,471
Purchases	2,250,000	-
Sales/redemption	-	-
Earnings	2,656	64,996
Ending balance	<u>\$ 2,252,656</u>	<u>\$ 1,697,467</u>

Investment income consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 193,305	\$ 77,651
Unrealized gains/(losses)	305	13,164
Total investment income (loss)	<u>\$ 193,610</u>	<u>\$ 90,815</u>

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	<u>2019</u>	<u>2018</u>
Building and improvements	\$ 10,556,644	\$ 10,557,934
Equipment	3,988,688	3,601,733
Furniture and fixtures	577,803	552,713
Artwork	346,550	365,050
Intangibles	1,097,867	881,595
Total	<u>16,567,552</u>	<u>15,959,025</u>
Less: Accumulated depreciation	<u>(6,766,704)</u>	<u>(5,759,956)</u>
	<u>\$ 9,800,848</u>	<u>\$ 10,199,069</u>
Depreciation expense	<u>\$ 1,014,827</u>	<u>\$ 951,611</u>

LEADING THE WAY WITH DR. MICHAEL YOUSSEF, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
JUNE 30, 2019 and 2018

5. QUASI ENDOWMENT FUND

The Board of Directors has established an endowment fund for payment of administrative costs of LTW. Net assets allocated to the endowment fund consist solely of amounts designated by the Board. There are no donor restrictions on the use of these funds. Subsequent Boards may use these assets for any purpose they deem appropriate.

6. RELATED PARTY TRANSACTIONS

Certain individuals serve on the boards of Leading The Way with Dr. Michael Youssef, Inc., the Foundation of the Holy Apostles, and the Vestry of the Church of The Apostles of Atlanta, Inc. The Church contributed approximately \$1,654,171 and \$1,851,565, to LTW for the years ended June 30, 2019 and 2018, respectively.

During the year ending June 2018, Help The Persecuted was established as a separate entity to continue a program Leading The Way had established. Leading The Way contributed \$274,061 and \$499,528 in cash and benefits for the years ending June 30, 2019 and 2018, respectively.

7. NET ASSETS WITH RESTRICTIONS

At June 30, 2019 and 2018 net assets with restrictions were available for events in the amount of \$2,592 and \$0, respectively.

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes or by the occurrence of other events specified by donors as follows:

	2019	2018
Help the Persecuted	\$ 126,300	\$ 1,446,466
Muslim World Outreach	609,481	606,799
International Evangelism and Outreach	133,927	99,848
Domestic Evangelism and Outreach	44,216	29,804
Navigators	27,612	22,896
Exposing Islam Loving Muslims	1,000	-
JJ&P	-	8,000
	\$ 942,536	\$ 2,213,813

8. RETIREMENT PLAN

LTW maintains a defined contribution retirement plan for its employees. It makes discretionary contributions to all eligible employees. Employees are fully vested in employer discretionary contributions after 5 years of service. Employees may also make elective salary deferrals to the plan. LTW contributed \$235,336 and \$249,405, to the plan during the years ended June 30, 2019 and 2018, respectively.

LEADING THE WAY WITH DR. MICHAEL YOUSSEF, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
JUNE 30, 2019 and 2018

9. RENT INCOME

LTW rents office space to unrelated parties. There are two leases one of which is a multi-year lease which calls for annual increases and rent abatement at certain months of the lease term. Lease revenue is recognized on a straight-line basis over the term of the lease.

Amounts recognized as rental income for all leases for the years ending June 30, 2019 and June 30, 2018, were \$269,025 and \$247,367, respectively. At June 30, 2019 and 2018, the difference in the amount received and the amount recognized is included in accounts receivable for \$17,065 and \$14,033, respectively.

Future amounts to be received on the multi-year lease agreement are as follows:

2020	\$	114,154
2021		<u>67,908</u>
	\$	<u><u>182,062</u></u>

10. LIQUIDITY AND AVAILABILITY OF RESOURCES

LTW has \$14,473,484 of financial assets available within one year of the statement of financial position date of June 30, 2019, to meet cash needs for general expenditures consisting of cash of \$15,530,906, accounts receivable of \$75,515, short-term investments of \$4,748,799, less a quasi-endowment of \$5,881,736. Since LTW is confident that the purpose restriction of \$2,592 in net assets with donor restrictions will be spent within one year, LTW has chosen not to subtract the \$2,592 in calculating financial assets available to meet cash needs for general expenditures within one year. Although LTW does not intend to spend from its quasi-endowment of \$5,881,736, described in note 5, other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary. LTW structures its financial assets to be available as its general expenditures, liabilities and other obligation come due. In addition, as part of its liquidity management, LTW invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasurer notes.

11. RECLASSIFICATIONS

Certain items presented on the previously issued 2018 financial statements may have been reclassified for comparison purposes on these financial statements. These reclassifications did not change the previously reported net assets or changes in net assets for 2018.