

Delight Ministries, Inc.

Financial Statements
For the Years Ended December 31, 2022 and 2021

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Independent Auditor's Report

Board of Directors
Delight Ministries, Inc.

Opinion

We have audited the financial statements of Delight Ministries, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
June 26, 2023

Delight Ministries, Inc.
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Cash	\$ 463,272	\$ 344,392
Inventories	29,207	18,921
Prepaid expenses	3,500	3,200
Property and equipment, net	-	1,277
Operating lease, right-of-use assets	126,748	-
Total assets	\$ 622,727	\$ 367,790
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 32,660	\$ 30,501
Operating lease liabilities	126,828	-
Total liabilities	159,488	30,501
Net assets		
Without donor restrictions	173,679	160,130
With donor restrictions	289,560	177,159
Total net assets	463,239	337,289
Total liabilities and net assets	\$ 622,727	\$ 367,790

Delight Ministries, Inc.
Statement of Activities
For the Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
Revenues and Other Support			
Contributions of cash and other financial assets	\$ 561,139	\$ 289,560	\$ 850,699
Merchandise sales	501,735	-	501,735
Other revenues	53,944	-	53,944
Net assets released from restrictions	<u>177,159</u>	<u>(177,159)</u>	<u>-</u>
Total revenues and other support	1,293,977	112,401	1,406,378
Expenses			
Program services	990,888	-	990,888
Management and general	269,503	-	269,503
Fundraising	<u>20,037</u>	<u>-</u>	<u>20,037</u>
Total expenses	1,280,428	-	1,280,428
Change in net assets	13,549	112,401	125,950
Net assets, beginning of year	<u>160,130</u>	<u>177,159</u>	<u>337,289</u>
Net assets, end of year	\$ 173,679	\$ 289,560	\$ 463,239

Delight Ministries, Inc.
Statement of Activities
For the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Revenues and Other Support			
Contributions of cash and other financial assets	\$ 492,624	\$ 177,159	\$ 669,783
Merchandise sales	395,555	-	395,555
Other revenues	67,454	-	67,454
Net assets released from restrictions	<u>82,892</u>	<u>(82,892)</u>	<u>-</u>
Total revenues and other support	1,038,525	94,267	1,132,792
Expenses			
Program services	790,874	-	790,874
Management and general	202,681	-	202,681
Fundraising	<u>29,780</u>	<u>-</u>	<u>29,780</u>
Total expenses	1,023,335	-	1,023,335
Change in net assets	15,190	94,267	109,457
Net assets, beginning of year	<u>144,940</u>	<u>82,892</u>	<u>227,832</u>
Net assets, end of year	\$ 160,130	\$ 177,159	\$ 337,289

Delight Ministries, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program services	Management and general	Fundraising	Total
Salaries and wages	\$ 466,629	\$ 145,326	\$ 15,349	\$ 627,304
Employee benefits	42,276	13,167	1,391	56,834
Advertising and promotion	5,353	-	1,338	6,691
Contract services	25,777	-	-	25,777
Cost of merchandise sold	147,884	-	-	147,884
Depreciation	-	1,277	-	1,277
Dues and subscriptions	28,099	-	-	28,099
Events	100,729	-	-	100,729
Gifts and awards	1,527	3,377	-	4,904
Insurance	-	5,046	-	5,046
Meals and entertainment	37,327	-	-	37,327
Professional fees	-	26,800	-	26,800
Rent	-	38,480	-	38,480
Shipping	41,688	-	-	41,688
Supplies	3,908	1,692	1,959	7,559
Taxes and licenses	-	33,730	-	33,730
Training	20,674	-	-	20,674
Travel	28,380	-	-	28,380
Utilities and telephone	4,343	-	-	4,343
Bank charges/merchant fees	36,294	-	-	36,294
Miscellaneous	-	608	-	608
	\$ 990,888	\$ 269,503	\$ 20,037	\$ 1,280,428

Delight Ministries, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program services	Management and general	Fundraising	Total
Salaries and wages	\$ 363,548	\$ 81,116	\$ 20,804	\$ 465,468
Employee benefits	34,302	7,653	1,963	43,918
Advertising and promotion	5,680	-	1,420	7,100
Contract services	19,156	-	-	19,156
Cost of merchandise sold	134,771	-	-	134,771
Depreciation	-	2,967	-	2,967
Dues and subscriptions	23,236	-	-	23,236
Events	73,792	-	-	73,792
Gifts and awards	2,644	3,914	-	6,558
Insurance	-	4,629	-	4,629
Meals and entertainment	20,567	-	-	20,567
Professional fees	-	43,871	-	43,871
Rent	-	38,400	-	38,400
Shipping	35,596	-	-	35,596
Supplies	504	2,641	5,593	8,738
Taxes and licenses	-	10,790	-	10,790
Training	22,811	-	-	22,811
Travel	18,447	-	-	18,447
Utilities and telephone	6,188	-	-	6,188
Bank charges/merchant fees	29,632	-	-	29,632
Miscellaneous	-	6,700	-	6,700
	\$ 790,874	\$ 202,681	\$ 29,780	\$ 1,023,335

Delight Ministries, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash, beginning of year	\$ 344,392	\$ 198,877
Cash flows from operating activities		
Change in net assets	125,950	109,457
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,277	2,967
Noncash lease expense	80	-
Change in:		
Inventories	(10,286)	5,307
Prepaid expenses	(300)	(3,200)
Other assets	-	33,927
Accounts payable and accrued expenses	<u>2,159</u>	<u>(2,943)</u>
Net cash provided (used) by operating activities	118,880	145,515
Cash, end of year	\$ 463,272	\$ 344,392

Delight Ministries, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1. Summary of Significant Accounting Policies

Nature of Activities

Delight Ministries, Inc. (the Organization) was incorporated in 2014 under the laws of the State of Tennessee. Its purpose is to launch, grow, and sustain Christ-centered women's communities on college campuses across the country.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Net assets and revenues, expenses, any gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time.

Inventories

Inventories are stated at the lower-of-cost or net realizable value based on the first-in, first-out basis and consist of apparel, books, and other merchandise.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. The Organization generally capitalizes and reports acquisitions in excess of \$2,500. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the useful lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to seven years.

Revenue Recognition

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Merchandise Sales

Merchandise sales consist of the sale of devotional books, apparel, and other branded merchandise. Revenue is recognized when the order is fulfilled.

Delight Ministries, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1. Summary of Significant Accounting Policies

Contributions of Nonfinancial Assets (New Accounting Standard Adopted in 2022)

Donated supplies are recorded based on their estimated fair value at the date of donation. There were no donated supplies for the years ended December 31, 2022 and 2021. Donated services are recognized as support if they create or enhance nonfinancial assets or the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by the Organization if not donated. Such services are recognized at estimated fair value as support and expense in the period the services were performed. There were no donated services for the years ended December 31, 2022 and 2021. A number of unpaid volunteers have made significant contributions of their time to assist the Organization in achieving its stated goals. The value of contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas have been allocated among the programs and supporting services as follows:

	Method of allocation
Employee benefits	Time and effort
Salaries and wages	Time and effort

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides companies with several alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as *debt* and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a *conditional contribution* where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loan as a conditional contribution.

Advertising

The Organization uses advertising to promote its programs. Advertising costs are expensed as incurred.

Use of Estimates

The preparation of the Organization's financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Delight Ministries, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1. Summary of Significant Accounting Policies

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and classified by the Internal Revenue Service (IRS) as other than a private foundation. However, it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded from the code. For the years ended December 31, 2022 and 2021, the Organization recorded \$33,730 and \$10,790, respectively, in unrelated business income tax which was included in "Taxes and licenses" on the statement of functional expenses.

US GAAP requires the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if it has taken an uncertain position that more likely than not would not be sustained upon examinations by the IRS. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2022, no uncertain positions have been taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization could be subject to routine audits by taxing jurisdiction, however, there are currently no audits for any tax periods in progress. The Organization is no longer subject to routine audits by taxing jurisdictions for any tax periods before 2019.

Leases (New Accounting Standard Adopted in 2022)

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Codification (ASC) Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The Organization adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

Delight Ministries, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1. Summary of Significant Accounting Policies

Leases (New Accounting Standard Adopted in 2022)

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization's operating leases of \$38,330 and \$38,330, respectively, at January 1, 2022. The adoption of the new lease standard did not materially impact net earnings or cash flows and did not result in a cumulative-effect adjustment to the opening balance of retained earnings.

Note 2. Liquidity and Availability

The following represents the Organization's financial assets at December 31:

	2022	2021
Financial assets, at year-end		
Cash	\$ 463,272	\$ 344,392
Inventories	<u>29,207</u>	<u>18,921</u>
Total financial assets at year-end	492,479	363,313
Less amounts not available to be used within one year		
Net assets with donor restrictions	<u>(289,560)</u>	<u>(177,159)</u>
Financial assets available to meet general expenditures for the next 12 months	\$ 202,919	\$ 186,154

As part of its liquidity plan, the Organization has a policy to structure its financial assets in order to have the funds available meet its general expenditures, liabilities, and other obligations as they come due.

Delight Ministries, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 3. Concentrations

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. As of December 31, 2022, the Organization held \$196,000 in a financial institution in excess of the amounts insured by the FDIC. As of December 31, 2021, the Organization held \$86,000 in a financial institution in excess of the amounts insured by FDIC.

One donor represented 14% of total revenues for the year ended December 31, 2022. There was not a concentration of risk related to revenue for the year ended December 31, 2021.

Note 4. Property and Equipment

Property and equipment consist of the following at December 31:

	2022	2021
Equipment and furniture	\$ 18,644	\$ 18,644
Less: accumulated depreciation	<u>(18,644)</u>	<u>(17,367)</u>
	\$ -	\$ 1,277

Note 5. Net Assets

Net assets with donor restrictions consist primarily of amounts contributed for regional directors' support.

Note 6. Employee Benefit Plan

The Organization sponsors a qualified defined contribution retirement plan under Section 401(k) of the IRC in which substantially all employees qualify for participation. As defined in the plan, the Organization may make discretionary contributions from year to year. The Organization made discretionary contributions of \$8,243 and \$8,323 for the years ended December 31, 2022 and 2021, respectively.

Note 7. PPP Loan

On April 21, 2021, the Organization received a Second Draw PPP loan in the amount of \$36,185. The Organization's loan was later forgiven. As such, it recorded the loan proceeds as other revenues in the statement of activities for the year ended December 31, 2021. The Organization received loan forgiveness on January 29, 2022.

Note 8. Operating Leases

The Organization leased office space for \$3,200 each month under an operating lease agreement that had an initial term of 3 years and terminated on December 31, 2022. The Organization modified the lease agreement on November 2, 2022 to lease the office space for \$3,775 each month beginning January 1, 2023 for an initial term of 3 years.

Delight Ministries, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 8. Operating Leases

Operating lease cost is recognized on a straight line basis over the lease term. The components of lease expense are as follows for the year ended December 31, 2022.

Operating lease cost	\$	38,400
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The total rent expense for operating leases was \$38,400 for the year ended December 31, 2021.

Supplemental cash flow information related to leases is as follows for the year ended December 31, 2022:

Cash paid for amounts included in measurement of lease liabilities		
Operating cash outflows, payments on operating leases	\$	38,400

Supplemental statement of financial position information related to leases is as follows as of December 31, 2022:

Operating leases		
Operating lease right-of-use assets	\$	126,748
Operating lease liabilities	\$	126,828
Weighted-average remaining lease term		
Operating leases		3 years
Weighted-average discount rate		
Operating leases		4.54%

Future undiscounted cash flows for the next five years and thereafter, and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of December 31, 2022:

Years ending December 31,	Operating Leases
2023	\$ 45,300
2024	45,300
2025	<u>45,300</u>
Total lease payments	135,900
Less imputed interest	<u>(9,072)</u>
Total present value of lease liabilities	\$ 126,828

Note 9. Subsequent Events

Subsequent events were evaluated through June 26, 2023, the date on which the financial statements were available to be issued.