

**SAT-7**  
**NORTH AMERICA**

Financial Statements  
With Independent Auditors' Report

December 31, 2014 and 2013

**SAT-7 North America**

FINANCIAL STATEMENTS  
With Independent Auditors' Report

December 31, 2014 and 2013

# SAT-7 North America

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
SAT-7 North America  
Easton, Maryland

We have audited the accompanying financial statements of SAT-7 North America, which comprise the statements of financial position as of December 31, 2014 and 2013, 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 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's judgment, including the assessment of the risks 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.

Board of Directors  
SAT-7 North America  
Easton, Maryland

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SAT-7 North America as of December 31, 2014 and 2013, 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*

Lawrenceville, GA

DATE%%%%%%%%%

# SAT-7 North America

## Statements of Financial Position

	December 31,	
	2014	2013
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,708,559	\$ 2,250,288
Prepaid expenses and other assets	108,809	104,361
Contributions receivable	2,274,525	761,986
Property and equipment	29,356	35,845
	<u>\$ 4,121,249</u>	<u>\$ 3,152,480</u>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable	\$ 11,896	\$ 20,406
Accrued expenses	84,207	69,768
Grant payable to other organization	-	40,815
Grant payable to SAT-7 International	2,265,765	1,886,531
	<u>2,361,868</u>	<u>2,017,520</u>
Net assets:		
Unrestricted:		
Undesignated	1,191,559	1,013,336
Board designated	501,409	32,534
Net investment in property and equipment	29,356	35,845
	<u>1,722,324</u>	<u>1,081,715</u>
Temporarily restricted	37,057	53,245
	<u>1,759,381</u>	<u>1,134,960</u>
Total Liabilities and Net Assets	<u>\$ 4,121,249</u>	<u>\$ 3,152,480</u>

See notes to financial statements

## SAT-7 North America

### Statements of Activities

	Year Ended December 31,					
	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions:						
Cash, non-cash and new contributions receivable	\$ 63,005	\$ 12,993,638	\$ 13,056,643	\$ 102,878	\$ 10,402,433	\$ 10,505,311
Other	22,697	-	22,697	22,184	-	22,184
	85,702	12,993,638	13,079,340	125,062	10,402,433	10,527,495
<b>RECLASSIFICATIONS:</b>						
Satisfaction of purpose restrictions	10,586,358	(10,586,358)	-	8,333,744	(8,333,744)	-
Administrative assessments	2,423,468	(2,423,468)	-	2,044,100	(2,044,100)	-
	13,009,826	(13,009,826)	-	10,377,844	(10,377,844)	-
<b>EXPENSES:</b>						
Program services	10,895,039	-	10,895,039	8,956,982	-	8,956,982
Supporting activities:						
Management and general	610,751	-	610,751	690,486	-	690,486
Fund-raising	949,129	-	949,129	742,686	-	742,686
	12,454,919	-	12,454,919	10,390,154	-	10,390,154
Change in Net Assets	640,609	(16,188)	624,421	112,752	24,589	137,341
Net Assets, Beginning of Year	1,081,715	53,245	1,134,960	968,963	28,656	997,619
Net Assets, End of Year	\$ 1,722,324	\$ 37,057	\$ 1,759,381	\$ 1,081,715	\$ 53,245	\$ 1,134,960

See notes to financial statements

## SAT-7 North America

### Statements of Functional Expenses

	Year Ended December 31,							
	2014				2013			
	Program Services	Management and General	Fund-raising	Total	Program Services	Management and General	Fund-raising	Total
Program funding to SAT-7 International and others	\$ 10,166,035	\$ -	\$ -	\$ 10,166,035	\$ 8,358,332	\$ -	\$ -	\$ 8,358,332
Salaries and related expenses:								
Management salaries	75,975	91,109	108,088	275,172	76,662	102,839	66,762	246,263
Other salaries and wages	255,623	214,677	128,402	598,702	181,254	255,271	83,612	520,137
Fringe benefits and related taxes	107,374	100,427	72,560	280,361	74,971	103,822	40,915	219,708
	438,972	406,213	309,050	1,154,235	332,887	461,932	191,289	986,108
Fund-raising and development (including new donor acquisition)	-	-	194,417	194,417	-	-	93,887	93,887
Other expenses:								
Professional fees	937	41,310	638	42,885	825	38,695	384	39,904
Charitable contributions	10,500	-	-	10,500	10,000	-	-	10,000
Board management	-	3,532	-	3,532	-	1,720	-	1,720
Communications	8,476	8,176	5,404	22,056	6,789	9,392	3,640	19,821
Conferences, travel, and meetings	121,650	49,001	115,895	286,546	122,840	77,895	107,451	308,186
Depreciation and amortization	13,851	4,791	13,616	32,258	13,425	5,380	26,913	45,718
Insurance	2,702	3,793	2,371	8,866	3,182	4,275	1,848	9,305
Printing, mailing, and postage	68,084	13,886	227,139	309,109	53,913	17,154	254,334	325,401
Occupancy	18,781	26,359	16,476	61,616	20,517	27,559	11,914	59,990
Software and office items	45,051	53,690	64,123	162,864	34,272	46,484	51,026	131,782
	290,032	204,538	445,662	940,232	265,763	228,554	457,510	951,827
<b>Total Expenses</b>	<b>\$ 10,895,039</b>	<b>\$ 610,751</b>	<b>\$ 949,129</b>	<b>\$ 12,454,919</b>	<b>\$ 8,956,982</b>	<b>\$ 690,486</b>	<b>\$ 742,686</b>	<b>\$ 10,390,154</b>

See notes to financial statements



# SAT-7 North America

## Statements of Cash Flows

	Year Ended December 31,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 624,421	\$ 137,341
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	11,382	26,878
Recording of new contributions receivable	(2,269,218)	(754,310)
Collections on existing contributions receivable	756,679	1,219,715
Change in:		
Prepaid expenses and other assets	(4,448)	(37,753)
Accounts payable	(8,510)	(5,020)
Accrued expenses	14,439	(1,217)
Grant payable to other organization	(40,815)	(18,838)
Grant payable to SAT-7 International	379,234	773,392
Net Cash Provided (Used) by Operating Activities	<u>(536,836)</u>	<u>1,340,188</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	<u>(4,893)</u>	<u>(6,049)</u>
Net Cash Used by Investing Activities	<u>(4,893)</u>	<u>(6,049)</u>
Net Change in Cash and Cash Equivalents	(541,729)	1,334,139
Cash and Cash Equivalents, Beginning of Year	<u>2,250,288</u>	<u>916,149</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,708,559</u>	<u>\$ 2,250,288</u>

See notes to financial statements

# **SAT-7 North America**

## **Notes to Financial Statements**

December 31, 2014 and 2013

1. NATURE OF ORGANIZATION:

SAT-7 North America (SAT-7) is a not-for-profit Pennsylvania Corporation exempt from income taxes under section 501(c)(3) of the United States Internal Revenue Code (Code). SAT-7 is not considered to be a private foundation under section 509 of the Code. The organization is affiliated, in mission, with SAT-7 International, an organization providing Christian television broadcasts to people in the Middle East and North Africa. SAT-7 provides resource development and ministry and managerial support throughout the United States in support of the mission of SAT-7 International.

Headquartered in Easton, Maryland, SAT-7 is funded through contributions and grants from over 9,000 individuals, foundations, and church organizations throughout North America. SAT-7 is a member of the Evangelical Council for Financial Accountability and Missio Nexus.

2. SIGNIFICANT ACCOUNTING POLICIES:

**BASIS OF ACCOUNTING**

The financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual amounts could differ from these estimates. The significant accounting policies followed are described below.

**RECLASSIFICATIONS**

Certain amounts in the prior year financial statements have been reclassified or updated to agree to the current year presentation.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consists of checking and savings accounts. These accounts may, from time to time, exceed federally insured limits; however, SAT-7 has not experienced any losses on these accounts and does not believe it is exposed to any significant risk.

At December 31, 2014 and 2013, respectively, \$365,057 and \$167,245, related to contributions received after year-end, but dated and postmarked prior to year-end, is included in cash and cash equivalents.

# SAT-7 North America

## Notes to Financial Statements

December 31, 2014 and 2013

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### PROPERTY AND EQUIPMENT

Expenditures exceeding \$1,000 for property, equipment and items that substantially increase the useful lives of existing assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years.

#### GRANT PAYABLE TO OTHER ORGANIZATION

Grant payable to other organization represents a promise made prior to year-end to distribute funds to this other organization. The other organization is a joint ministry between SAT-7 and two other independent organizations. SAT-7 is represented in this organization by one of its Board members.

#### GRANT PAYABLE TO SAT-7 INTERNATIONAL

Grant payable to SAT-7 International represents a promise made prior to year-end to distribute funds to SAT-7 International. This promise is communicated directly to SAT-7 International by SAT-7 management and Board members.

#### CLASSES OF NET ASSETS

The financial statements report amounts separately by classes of net assets according to the presence or absence of donor-imposed stipulations. The net asset classes are as follows:

*Unrestricted net assets* are those currently available for ministry purposes under the direction of the Board of Directors, those designated by the Board for a specific use and those invested in property and equipment.

*Temporarily restricted net assets* are those contributed with donor stipulations for specific operating purposes or programs. They are not currently available for ministry use until commitments regarding their use have been fulfilled. When a purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Temporarily restricted net assets are available for staff support.

# SAT-7 North America

## Notes to Financial Statements

December 31, 2014 and 2013

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### SUPPORT, REVENUES AND EXPENSES

Support is recognized when contributions are made, which may be when cash is received, unconditional promises to give are made or ownership of other assets is transferred. During 2014, the top four donors contributed 52% of total contributions. During 2013, the top three donors contributed 38% of total contributions. Revenue is recognized when earned. Expenses are recorded when costs are incurred. SAT-7 reports gifts of materials and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, SAT-7 reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

#### DONATED SERVICES

SAT-7 recognizes donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended herein, SAT-7 did not record any donated services.

Significant contributions of personnel and time are provided to SAT-7 by individuals as a means of accomplishing its goals. Without these contributions, the ministry would not be as effective. It is SAT-7's policy not to record these contributions in the financial statements because they do not meet the criteria of skilled services required to be recorded under existing technical standards.

#### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited based on estimated time of personnel and usage of services and supplies. All SAT-7 expenses are allocated based on specifically identifiable criteria. Therefore, there are no joint cost allocations to disclose.

#### UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of the statement of financial position date, SAT-7 had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

# SAT-7 North America

## Notes to Financial Statements

December 31, 2014 and 2013

### 3. CONTRIBUTIONS RECEIVABLE:

SAT-7 regularly receives promises and intentions to give from its constituents. Promises to give are due to be collected in subsequent fiscal years and are reported as contributions receivable in the statements of financial position as an asset and recognized as temporarily restricted contributions in the statements of activities. The promises to give are reflected at the present value of estimated future cash flows using discount rates that are determined by the month the pledge was originally made.

Due to the unknown factors which may affect individual donors' future cash flows, it is reasonably possible that the estimated future cash flows of contributions receivable could increase or decrease by a material amount in the near term. Management believes that the asset value reflected in the statements of financial position approximates fair value.

Contributions receivable are expected to mature as follows:

	2014	2013
Amounts due in:		
Less than one year	\$ 1,465,435	\$ 751,100
One year to five years	892,208	20,332
More than five years	6,667	10,000
	<u>2,364,310</u>	<u>781,432</u>
Less discount for present value of future cash flows	(81,385)	(11,046)
Less allowance for uncollectibility	(8,400)	(8,400)
	<u>\$ 2,274,525</u>	<u>\$ 761,986</u>

At December 31, 2014, three pledges comprised 95% of the gross contributions receivable balance. At December 31, 2013, one pledge comprised 91% of the gross contributions receivable balance.

### 4. PROPERTY AND EQUIPMENT:

Property and equipment consists of:

	2014	2013
Office and computer equipment	\$ 127,237	\$ 122,344
Computer software	87,667	87,667
Office furniture	62,689	62,689
Leasehold improvements	7,736	7,736
	<u>285,329</u>	<u>280,436</u>
Accumulated depreciation	(255,973)	(244,591)
	<u>\$ 29,356</u>	<u>\$ 35,845</u>

# SAT-7 North America

## Notes to Financial Statements

December 31, 2014 and 2013

5. RETIREMENT PLAN:

SAT-7 sponsors a 401(k) retirement program covering all employees. SAT-7 matches employee contributions up to 5%. Employees are eligible for the match immediately, with vesting occurring 20% per year for each year of service. SAT-7 contributed \$40,301 and \$34,084 to the plan during 2014 and 2013, respectively.

6. LEASE COMMITMENTS:

SAT-7 leases its office space under a noncancellable operating lease that expires on June 30, 2015. If SAT-7 does not provide notice to the landlord of intent to vacate the office space within 120 days of the expiration date, the lease renews automatically for another six month period, with the same notification provisions. Minimum monthly payments are approximately \$4,500. Total rental expense under this lease during 2014 and 2013, respectively, was \$54,594 and \$53,242.

SAT-7 also leases photocopiers and postage machines under noncancellable operating leases that expire through June 2019. Total minimum monthly payments under these leases are \$1,051. Total rental expense under these leases during 2014 and 2013, respectively, was \$13,581 and \$11,788.

The future minimum rental payments required under operating leases are as follows:

Year ending December 31,

2015	\$	39,779
2016		6,589
2017		5,336
2018		5,336
2019		2,668
		<hr/>
	\$	59,708
		<hr/> <hr/>

7. SUBSEQUENT EVENTS:

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

SCF worksheet

Statement of Cash Flows Worksheet

	<u>Cash</u>	<u>Other</u>	<u>prepaids</u>	<u>CR</u>	<u>PPE</u>	<u>A/P</u>	<u>Accruals</u>	<u>TEACH</u> <u>grant pyble</u>	<u>IO</u> <u>grant pyble</u>	<u>Net Assets</u>
Beg Bal	2,250,288	-	104,361	761,986	35,845	(20,406)	(69,768)	(40,815)	(1,886,531)	1,134,960
End Bal	1,708,559	-	108,809	2,274,525	29,356	(11,896)	(84,207)	-	(2,265,765)	1,759,381
Increase (Decrease)	(541,729)	-	4,448	1,512,539	(6,489)	8,510	(14,439)	40,815	(379,234)	624,421
Operating:										
Depreciation					11,382					11,382
loss on pe disposal					-					-
new pledge received, uncollected at year end				(2,269,218)						(2,269,218)
collection on pledges				756,679						756,679
Change in:										
prepaids			(4,448)							(4,448)
Accounts payable						(8,510)				(8,510)
Accrued Expenses							14,439			14,439
grant payable TEACH								(40,815)		(40,815)
grant payable IO									379,234	379,234
Investing										
Purchases of p&e					(4,893)					(4,893)
Financing										
payments on note payable										-
										-
	(541,729)	-	-	-	-	-	-	-	-	(541,729)