

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

Financial Statements  
With Independent Auditors' Report

December 31, 2015 and 2014

# 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, 2015 and 2014, 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, 2015 and 2014, 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

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# SAT-7 North America

## Statements of Financial Position

	December 31,	
	2015	2014
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 3,260,460	\$ 1,708,559
Prepaid expenses and other assets	91,914	108,809
Contributions receivable	1,690,608	2,274,525
Property and equipment	34,654	29,356
	<u>\$ 5,077,636</u>	<u>\$ 4,121,249</u>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable	\$ 56,743	\$ 11,896
Accrued expenses	59,637	84,207
Grant payable to SAT-7 International	2,897,974	2,265,765
	<u>3,014,354</u>	<u>2,361,868</u>
Net assets:		
Unrestricted	2,031,680	1,722,324
Temporarily restricted	31,602	37,057
	<u>2,063,282</u>	<u>1,759,381</u>
Total Liabilities and Net Assets	<u>\$ 5,077,636</u>	<u>\$ 4,121,249</u>

See notes to financial statements

## SAT-7 North America

### Statements of Activities

	Year Ended December 31,					
	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions:						
Cash, non-cash and new contributions receivable	342,842	\$ 10,015,856	\$ 10,358,698	\$ 63,005	\$ 12,993,638	\$ 13,056,643
Other income	2,082	-	2,082	22,697	-	22,697
	344,924	10,015,856	10,360,780	85,702	12,993,638	13,079,340
<b>RECLASSIFICATIONS:</b>						
Satisfaction of purpose restrictions	7,900,290	(7,900,290)	-	10,586,358	(10,586,358)	-
Administrative assessments	2,121,021	(2,121,021)	-	2,423,468	(2,423,468)	-
	10,021,311	(10,021,311)	-	13,009,826	(13,009,826)	-
<b>EXPENSES:</b>						
Program services	8,429,744	-	8,429,744	10,895,039	-	10,895,039
Supporting activities:						
Management and general	653,722	-	653,722	610,751	-	610,751
Fund-raising	973,413	-	973,413	949,129	-	949,129
	10,056,879	-	10,056,879	12,454,919	-	12,454,919
Change in Net Assets	309,356	(5,455)	303,901	640,609	(16,188)	624,421
Net Assets, Beginning of Year	1,722,324	37,057	1,759,381	1,081,715	53,245	1,134,960
Net Assets, End of Year	\$ 2,031,680	\$ 31,602	\$ 2,063,282	\$ 1,722,324	\$ 37,057	\$ 1,759,381

See notes to financial statements

## SAT-7 North America

### Statements of Functional Expenses

	Year Ended December 31,							
	2015				2014			
	Program Services	Management and General	Fund-raising	Total	Program Services	Management and General	Fund-raising	Total
Program funding to SAT-7 International and others	7,670,592	\$ -	\$ -	\$ 7,670,592	\$ 10,166,035	\$ -	\$ -	\$ 10,166,035
Salaries and related expenses:								
Management salaries	79,111	94,870	112,549	286,530	75,975	91,109	108,088	275,172
Other salaries and wages	275,328	237,908	140,176	653,412	255,623	214,677	128,402	598,702
Fringe benefits and related taxes	119,162	114,529	81,889	315,580	107,374	100,427	72,560	280,361
	473,601	447,307	334,614	1,255,522	438,972	406,213	309,050	1,154,235
Fund-raising and development (including new donor acquisition)	-	-	153,684	153,684	-	-	194,417	194,417
Other expenses:								
Professional fees	609	34,687	415	35,711	937	41,310	638	42,885
Charitable contributions	5,000	-	-	5,000	10,500	-	-	10,500
Board management	-	3,053	-	3,053	-	3,532	-	3,532
Communications	9,752	9,708	6,382	25,842	8,476	8,176	5,404	22,056
Conferences, travel, and meetings	129,433	56,156	124,734	310,323	121,650	49,001	115,895	286,546
Depreciation and amortization	12,785	4,940	12,382	30,107	13,851	4,791	13,616	32,258
Insurance	2,763	3,877	2,424	9,064	2,702	3,793	2,371	8,866
Printing, mailing, and postage	52,187	10,934	260,824	323,945	68,084	13,886	227,139	309,109
Occupancy	20,193	28,342	17,715	66,250	18,781	26,359	16,476	61,616
Software and office items	52,829	54,718	60,239	167,786	45,051	53,690	64,123	162,864
	285,551	206,415	485,115	977,081	290,032	204,538	445,662	940,232
Total Expenses	\$ 8,429,744	\$ 653,722	\$ 973,413	\$ 10,056,879	\$ 10,895,039	\$ 610,751	\$ 949,129	\$ 12,454,919

See notes to financial statements

# SAT-7 North America

## Statements of Cash Flows

	Year Ended December 31,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 303,901	\$ 624,421
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	11,548	11,382
Disposition of property and equipment	2,008	-
Recording of new contributions receivable	(747,637)	(2,269,218)
Collections on existing contributions receivable	1,331,554	756,679
Change in:		
Prepaid expenses and other assets	16,895	(4,448)
Accounts payable	44,847	(8,510)
Accrued expenses	(24,570)	14,439
Grant payable to other organization	-	(40,815)
Grant payable to SAT-7 International	632,209	379,234
Net Cash Provided (Used) by Operating Activities	<u>1,570,755</u>	<u>(536,836)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	<u>(18,854)</u>	<u>(4,893)</u>
Net Cash Used by Investing Activities	<u>(18,854)</u>	<u>(4,893)</u>
Net Change in Cash and Cash Equivalents	1,551,901	(541,729)
Cash and Cash Equivalents, Beginning of Year	<u>1,708,559</u>	<u>2,250,288</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,260,460</u>	<u>\$ 1,708,559</u>

See notes to financial statements



# **SAT-7 North America**

## **Notes to Financial Statements**

December 31, 2015 and 2014

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, 2015 and 2014, respectively, \$516,832 and \$365,057, 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, 2015 and 2014

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 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, 2015 and 2014

### 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 2015, the top four donors contributed 32% of total contributions. During 2014, the top four donors contributed 52% 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 December 31, 2015, 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, 2015 and 2014

### 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:

	December 31,	
	2015	2014
Amounts due in:		
Less than one year	\$ 1,491,940	\$ 1,465,435
One year to five years	286,933	892,208
More than five years	-	6,667
	<u>1,778,873</u>	<u>2,364,310</u>
Less discount for present value of future cash flows	(79,865)	(81,385)
Less allowance for uncollectibility	<u>(8,400)</u>	<u>(8,400)</u>
	<u>\$ 1,690,608</u>	<u>\$ 2,274,525</u>

At December 31, 2015, three pledges comprised 85% of the gross contributions receivable balance. At December 31, 2014, three pledges comprised 95% of the gross contributions receivable balance.

### 4. PROPERTY AND EQUIPMENT:

Property and equipment consists of:

	December 31,	
	2015	2014
Office and computer equipment	\$ 57,734	\$ 127,237
Computer software	87,667	87,667
Office furniture	17,716	62,689
Leasehold improvements	6,738	7,736
	<u>169,855</u>	<u>285,329</u>
Accumulated depreciation	<u>(135,201)</u>	<u>(255,973)</u>
	<u>\$ 34,654</u>	<u>\$ 29,356</u>

## SAT-7 North America

### Notes to Financial Statements

December 31, 2015 and 2014

5. NET ASSETS:

Net assets consist of:

	December 31,	
	2015	2014
Unrestricted:		
Undesignated	\$ 1,328,933	\$ 1,191,559
Board designated for:		
Endowment	624,350	404,135
NDA program	43,743	97,274
Net investment in property and equipment	34,654	29,356
	<u>2,031,680</u>	<u>1,722,324</u>
Temporarily restricted for staff support	31,602	37,057
	<u>\$ 2,063,282</u>	<u>\$ 1,759,381</u>
Activity in the board designated endowment:		
Opening balance	\$ 404,135	\$ -
Designation of balances	436,045	403,118
Appropriated for use	(200,000)	-
Interest and dividend income	1,426	1,017
Net realized and unrealized losses	(17,256)	-
	<u>Ending balance</u>	<u>Ending balance</u>
	<u>\$ 624,350</u>	<u>\$ 404,135</u>

Assets funding the board designated endowment are held in cash and cash equivalents at December 31, 2015. The investments included in the December 31, 2014 balance were written off during 2015. The board has not approved a formal spending policy for these funds, but rather makes appropriations as it deems necessary.

6. 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 \$44,924 and \$40,301 to the plan during 2015 and 2014, respectively.

# SAT-7 North America

## Notes to Financial Statements

December 31, 2015 and 2014

7. LEASE COMMITMENTS:

Through June 30, 2015, SAT-7 leased its office space on a month to month basis, with minimum monthly payments of approximately \$4,500. SAT-7 relocated its office space during 2015, signing a new lease effective May 1, 2015 for three years. The lease contains an option to renew for one additional year. Minimum payments are \$40,000 per year for the first two years of the lease agreement, with an automatic 3% increase in year three and beyond, if renewed without re-negotiation. Total rental expense under these leases during 2015 and 2014, respectively, was \$57,802 and \$54,594.

SAT-7 also leases photocopiers and postage machines under noncancellable operating leases that expire through 2020. Total minimum monthly payments under these leases are approximately \$940. Total rental expense under these leases during 2015 and 2014, respectively, was \$13,274 and \$13,581.

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

<u>Year ending December 31,</u>	
2016	\$ 51,245
2017	50,699
2018	22,285
2019	5,884
2020	3,216
	<hr/>
	\$ 133,329
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8. 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.