

DENISON MINISTRIES

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2024 AND DECEMBER 31, 2023

Denison Ministries
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September 30, 2024 and December 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Denison Ministries

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Denison Ministries (a nonprofit organization) (Organization), which comprise the statements of financial position as of September 30, 2024 and December 31, 2023, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the nine months ended September 30, 2024 and for the year ended December 31, 2023, 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 September 30, 2024 and December 31, 2023, and the changes in its net assets and its cash flows for the nine months ended September 30, 2024 and for the year ended December 31, 2023 in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 Auditors' 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 GAAP, 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 for one year after the date that the financial statements are issued.

Auditors' 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 auditors' 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these 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.

SST Accountants & Consultants

SST Accountants & Consultants PLLC

April 9, 2025

Denison Ministries
Statements of Financial Position
September 30, 2024 and December 31, 2023

	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,121,946	\$ 2,046,857
Accounts receivable	11,505	1,640
Contributions receivable, current	524,289	785,000
Investments	1,404,638	1,014,036
Prepaid expenses	156,278	90,463
Total Current Assets	3,218,656	3,937,996
Noncurrent Assets		
Property and equipment, net	199,931	257,415
Beneficial interest held by others	14,505	14,505
Security deposit	11,115	11,115
Operating lease right-of-use assets	415,062	460,386
Total Noncurrent Assets	640,613	743,421
TOTAL ASSETS	\$ 3,859,269	\$ 4,681,417
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 38,193	\$ 26,500
Accrued expenses	10,048	2,053
Accrued payroll liabilities	31,528	138,638
Operating lease liabilities, current	90,567	61,530
Total Current Liabilities	170,336	228,721
Noncurrent Liabilities		
Annuity payment liability	44,547	43,419
Operating lease liabilities, net of current portion	355,965	402,532
Total Noncurrent Liabilities	400,512	445,951
TOTAL LIABILITIES	570,848	674,672
Net Assets		
<i>Without Donor Restrictions</i>		
Undesignated	2,690,110	2,754,764
Designated	585,157	550,069
	3,275,267	3,304,833
<i>With Donor Restrictions</i>		
	13,154	701,912
Total Net Assets	3,288,421	4,006,745
TOTAL LIABILITIES AND NET ASSETS	\$ 3,859,269	\$ 4,681,417

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

Denison Ministries
Statements of Activities
For the Nine Months Ended September 30, 2024 and
For the Year Ended December 31, 2023

	2024	2023
<i>Without Donor Restrictions</i>		
Revenues and Support		
Contributions of cash and other financial assets	\$ 3,882,087	\$ 5,705,430
Sales and other income	172,946	150,111
Investment income (loss)	133,397	129,500
Contributions of nonfinancial assets and services	-	500
Gain on termination of operating lease	-	3,594
	4,188,430	5,989,135
Net assets released from restrictions	752,490	1,073,371
Total Revenues and Support	4,940,920	7,062,506
Expenses		
Program services	2,963,946	4,139,633
Supporting services	2,006,540	2,608,441
Total Expenses	4,970,486	6,748,074
Change in Net Assets Without Donor Restrictions	(29,566)	314,432
<i>With Donor Restrictions</i>		
Contributions of cash and other financial assets	63,732	807,000
Net assets released from restrictions	(752,490)	(1,073,371)
Change in Net Assets With Donor Restrictions	(688,758)	(266,371)
Change in Net Assets	\$ (718,324)	\$ 48,061

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

Denison Ministries
Statements of Changes in Net Assets
For the Nine Months Ended September 30, 2024 and
For the Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets, December 31, 2022	\$ 2,990,401	\$ 968,283	\$ 3,958,684
Increase (Decrease) in Net Assets	<u>314,432</u>	<u>(266,371)</u>	<u>48,061</u>
Net Assets, December 31, 2023	3,304,833	701,912	4,006,745
Increase (Decrease) in Net Assets	<u>(29,566)</u>	<u>(688,758)</u>	<u>(718,324)</u>
Net Assets, September 30, 2024	<u>\$ 3,275,267</u>	<u>\$ 13,154</u>	<u>\$ 3,288,421</u>

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

Denison Ministries
Statement of Functional Expenses
For the Nine Months Ended September 30, 2024

	Program Services					Supporting Services		Total
	Christian Parenting	Denison Forum	Denison Ministries	First15	Possum Kingdom	General & Administrative	Fundraising	
Salaries and benefits	\$ 405,383	\$ 532,296	\$ 801,851	\$ 1,308	\$ 55,477	\$ 911,959	\$ 593,719	\$ 3,301,993
Brand resources	37,226	42,137	8,369	18,505	24,042	-	-	130,279
Talent development	739	1,065	7,286	-	-	8,118	5,412	22,620
Donor relations and development	120,337	149,589	2,749	50,574	-	-	110,131	433,380
Professional fees	-	-	-	-	-	157,462	40,000	197,462
Promotion and growth	72,457	93,401	183	78,744	-	-	17,882	262,667
Office rent	13,543	13,543	13,543	13,543	-	10,155	3,386	67,713
Information technology	12,535	5,036	208,301	5,902	-	12,520	8,344	252,638
Administration and office expenses	21,863	3,554	16,802	3,554	-	94,962	888	141,623
Bank and merchant fees	4,544	34,504	4,716	13,705	-	-	-	57,469
Travel	6,484	3,260	10,827	-	4,481	12,063	8,043	45,158
Depreciation and amortization	11,497	11,497	11,497	11,497	-	8,622	2,874	57,484
	<u>\$ 706,608</u>	<u>\$ 889,882</u>	<u>\$ 1,086,124</u>	<u>\$ 197,332</u>	<u>\$ 84,000</u>	<u>\$ 1,215,861</u>	<u>\$ 790,679</u>	<u>\$ 4,970,486</u>

The accompanying notes are an integral part of this financial statement.

Denison Ministries
Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Services					Supporting Services		Total
	Christian Parenting	Denison Forum	Denison Ministries	First15	Possum Kingdom	General & Administrative	Fundraising	
Salaries and benefits	\$ 564,006	\$ 928,341	\$ 1,030,260	\$ 118,806	\$ 43,072	\$ 1,189,422	\$ 769,407	\$ 4,643,314
Brand resources	97,681	12,637	13,299	32,026	10,500	-	-	166,143
Talent development	475	2,266	13,011	-	173	14,638	9,758	40,321
Donor relations and development	78,622	190,594	1,343	102,795	-	-	180,086	553,440
Professional fees	-	-	-	-	-	101,727	51,790	153,517
Promotion and growth	73,035	93,570	224	102,069	-	-	16,544	285,442
Office rent	20,426	20,426	20,426	20,426	-	15,320	5,107	102,131
Information technology	46,906	9,092	212,831	67,463	220	9,916	6,610	353,038
Administration and office expenses	5,901	5,976	10,917	5,901	190	198,949	1,475	229,309
Pastoral care	-	-	-	-	8,056	-	-	8,056
Bank and merchant fees	6,211	48,606	6,650	19,837	-	-	-	81,304
Travel	6,296	4,324	11,847	-	9,972	13,326	8,885	54,650
Depreciation and amortization	15,482	15,482	15,482	15,482	-	11,611	3,870	77,409
	<u>\$ 915,041</u>	<u>\$ 1,331,314</u>	<u>\$ 1,336,290</u>	<u>\$ 484,805</u>	<u>\$ 72,183</u>	<u>\$ 1,554,909</u>	<u>\$ 1,053,532</u>	<u>\$ 6,748,074</u>

The accompanying notes are an integral part of this financial statement.

Denison Ministries
Statements of Cash Flows
For the Nine Months Ended September 30, 2024 and
For the Year Ended December 31, 2023

	2024	2023
Cash Flows From Operating Activities		
Change in Net Assets	\$ (718,324)	\$ 48,061
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	57,484	77,409
Net operating lease right-of-use asset and lease liability	27,794	(13,550)
Unrealized (gain) loss on investments	(63,753)	(51,971)
Realized (gain) loss on investments	165	434
Reinvested dividends and interest	(20,446)	(26,265)
Donation of securities	(319,550)	(15,024)
Annuity payment liability	(1,128)	(469)
Beneficial interest held by others	-	(1,228)
Changes in operating assets and liabilities:		
Accounts receivable	(9,865)	(948)
Contributions receivable	260,711	52,500
Prepaid expenses	(65,815)	18,294
Accounts payable	11,693	(69,429)
Accrued expenses	7,995	1,114
Accrued payroll liabilities	(107,110)	(31,694)
Net Cash Used in Operating Activities	(940,149)	(12,766)
Cash Flows From Investing Activities		
Proceeds from sale of investment	15,238	-
Net Cash Provided by Investing Activities	15,238	-
Net Change in Cash and Cash Equivalents	(924,911)	(12,766)
Cash and Cash Equivalents, Beginning of Year	2,046,857	2,059,623
Cash and Cash Equivalents, End of Year	\$ 1,121,946	\$ 2,046,857
Supplemental Cash Flow Information		
Right-of-use asset obtained in exchange for operating lease liability	\$ 17,980	\$ -

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

Denison Ministries
Notes to Financial Statements
September 30, 2024 and December 31, 2023

Note 1: Summary of Significant Accounting Policies

Organization

Denison Ministries (Organization) is a Texas nonprofit corporation that exists to create culture changing Christians who are committed to advancing the kingdom in their sphere of influence. The Organization aspires to equip believers every day through the following core programs: Christian Parenting, Foundations with Janet Denison (included with Christian Parenting in the statement of functional expenses), Denison Forum, Denison Ministries, First15, and Possum Kingdom.

Christian Parenting's mission is to equip believers to disciple the next generation to love and follow Jesus. Janet Denison's ministry is a Bible study ministry devoted to helping others understand and apply the truth of God's word to their daily lives. Denison Forum thoughtfully engages the issues of the day from a biblical perspective to help believers be a light where they are. Denison Ministries seeks to bring life transformation through meaningful content. First15 is a daily devotional ministry that provides believers a way to experience God in the first fifteen minutes of their day. Possum Kingdom is the physical expression of the Organization's ministry, where Sunday morning worship services are conducted by Denison Ministries on behalf of a gathering of believers.

The content of these ministries currently reaches over five million believers through a variety of methods, including email, web, app, podcast and print. The Organization's revenue is derived mainly from contributions.

The summary of significant accounting policies of the Organization is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

Change in Fiscal Year

On November 8, 2023, the Board of Directors adopted a change in fiscal year end from December 31 to September 30, effective October 1, 2024. This change more accurately reflects the operational business cycle. As a result of this change, the Organization has a nine-month transaction period ended September 30, 2024.

Financial Statement Presentation

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

Net Assets Without Donor Restrictions – Net assets not subject to donor-imposed stipulations. Net assets that are without donor restrictions but have been designated for a particular purpose by the Board, if any, are reflected as Board Designated Net Assets.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Denison Ministries
Notes to Financial Statements
September 30, 2024 and December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)
Financial Statement Presentation (Continued)

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy. As of September 30, 2024 and December 31, 2023, no such net assets restrictions existed.

Gifts of cash and other assets received without donor-imposed donor restrictions are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly-liquid investments with original maturity dates of three months or less to be cash equivalents. Cash equivalents were \$269,464 and \$175,881 as of September 30, 2024 and December 31, 2023, respectively. The Organization places its cash and cash equivalents, which, at times, may exceed federally insured limits, with high-credit quality financial institutions. The Organization has not experienced any losses on such amounts.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in Section 501(c)(3) of the IRC. The Organization has been classified as an organization that is not a private foundation under IRC Section 509(a)(2), and as such, contributions to the Organization qualify for deductions as charitable contributions. However, income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511.

Accounting for Uncertainty in Income Taxes

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) Topic 740-10, Accounting for Income Taxes*, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statements of activities or accrued in the statements of financial position. Federal and state tax returns of the Organization are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

Donated Stock

Securities that have been donated are recorded at the fair market value as of the date of the gift. The Organization converts securities to cash equivalents upon receipt. Increases or decreases in fair market value are recorded as unrealized gains or losses and reflected on the statements of activities.

Denison Ministries
Notes to Financial Statements
September 30, 2024 and December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost when purchased or fair value at the date of donation, less accumulated depreciation and amortization. Major expenditures which substantially increase useful lives are capitalized. Maintenance and repairs, which do not improve or extend the lives of the respective assets, are included in the statements of activities when incurred. When property or equipment is sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed, and any gain or loss is included in the statements of activities.

Depreciation and amortization are calculated using the straight-line convention over the estimated useful lives of the respective assets. Estimated useful lives are as follows:

Furniture and fixtures	7 years
Equipment	5 years
Leasehold improvements	7 years
Software	5 years

Impairment of Long-Lived Assets

The Organization regularly evaluates its long-lived assets for indicators of possible impairment. Should impairment exist, the impairment loss would be measured based on the excess carrying value of the asset over the asset's fair value. No impairment losses were recognized for the nine months and twelve-month periods then ended September 30, 2024 and December 31, 2023 respectively.

Inventory

The Organization publishes and distributes books and related resources as part of its ministry. The books are primarily distributed at or near cost and do not have long-term value to the Organization. As such, no inventory is recorded on the Organization's financial statements.

Leases

The Organization determines if a contract is classified as a lease at the contract's inception. Lease agreements are evaluated to determine whether the lease is a finance or operating lease. Right-of use (ROU) assets and lease liabilities are recognized on the lease commencement date based on the net present value of lease payments over the remaining lease term. The Organization's leases do not provide an implicit rate; therefore, the Organization has elected to use a risk-free rate as its incremental borrowing rate, based on information available at the commencement date to determine the present value of the lease payments over the remaining term. Leases with an initial term of 12 months or less are not recorded on the accompanying statements of financial position and are recognized as lease expense on a straight-line basis over the lease term.

Denison Ministries
Notes to Financial Statements
September 30, 2024 and December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The Organization recognizes contributions when cash and grants, securities or other assets or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Allocations are based on time and effort spent in each area. The allocated expenses include salaries and benefits, office rent, depreciation and amortization, and donor relations and development. All other natural expense categories using the key concept of direct conduct or direct supervision are charged to the benefiting program or support service.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. It is at least reasonably possible that the significant estimates used will change within the next year. Actual results could vary from estimates.

Beneficial Interest in Assets Held by Others

The Organization is the specified beneficiary of gift annuities held by HighGround Advisors (HGA). In accordance with FASB ASC Topic 958 *Not-for-Profit Entities*, for those assets which the Organization has an unconditional right to receive all or a portion of the specified cash flows from the charitable trust or pool of assets, the Organization records the beneficial interest, measuring it at the net present value of the expected remainder at year end. The beneficial interest in assets held by others is subsequently remeasured at the present value of the remainders at the following year end, using the various discounted rates with the change in valuation reflected in the statements of activities. It is included as a level 3 asset in the fair value disclosure at Note 6.

Other Investments

During 2020, the Organization received a charitable gift annuity of \$100,000, which is held by HGA and included in investments in the statements of financial position as of September 30, 2024 and December 31, 2023. The charitable gift annuity requires quarterly payments to the donor until the time of death. A liability for these payments has been recorded in the statements of financial position as of September 30, 2024 and December 31, 2023.

Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

Denison Ministries
Notes to Financial Statements
September 30, 2024 and December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)
Fair Value Measurements (Continued)

The three levels of the fair value hierarchy under FASB ASC Topic 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the fund has the ability to access.

Level 2 Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There was no change in the methodology used at September 30, 2024 and December 31, 2023.

Equity securities: Valued at the closing price reported in an active market in which the security is traded.

Fixed income: Valued based on yield currently available on comparable securities issued or others issued with similar credit ratings.

Balanced funds: Valued at the net asset value (NAV) of shares held at year end. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. These balanced funds are classified within Level 2 of the valuation hierarchy because the NAV's unit price is quoted on a private market; however, the unit price is based on underlying investments which are traded on an observable active market. The balanced funds consist of a mix of equity funds, fixed income funds, real estate funds, and marketable alternative funds.

Beneficial interest: Subsequently remeasured at the present value of the remainders at the following year end, using the various discounted rates with the change in valuation, which is at Level 3.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Denison Ministries
Notes to Financial Statements
September 30, 2024 and December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

The provisions of FASB ASC Topic 820 did not have an impact on the Organization's nonfinancial assets and nonfinancial liabilities that are not permitted or required to be measured at fair value on a recurring basis.

Date of Management's Review

Subsequent events have been evaluated for potential recognition or disclosure through April 9, 2025 which is the date the financial statements were available to be issued.

Note 2: Contributions Receivable

As of September 30, 2024 and December 31, 2023, contributions receivable consists of future payments due from foundations within twelve months. Outstanding balances at September 30, 2024 and December 31, 2023 were deemed collectible; therefore, no allowance for uncollectible promises was recorded. During 2022, the Organization received a grant that contained \$115,000 of conditional promises to give. For the nine months ended September 30, 2024, \$58,000 was recorded as a contribution of cash as the conditions had been met. The remaining \$57,000 was not recorded in the financial statement as the conditions were not met.

Note 3: Property and Equipment

Property and equipment at September 30, 2024 and December 31, 2023 consisted of the following:

	2024	2023
Furniture and fixtures	\$ 46,318	\$ 46,318
Equipment	21,403	22,893
Leasehold improvements	26,401	26,401
Software	343,648	343,648
Total Property and Equipment	437,770	439,260
Less accumulated depreciation and amortization	(237,839)	(181,845)
Net Property and Equipment	\$ 199,931	\$ 257,415

Note 4: Lease Commitments

The Organization has obligations under noncancelable lease agreements for the use of office space and certain office equipment expiring between 2025 and 2029.

The components of lease costs were as follows for the nine-month and twelve-month periods ended September 30, and December 31:

	2024	2023
Operating lease costs	\$ 68,248	\$ 104,243
Short-term lease costs	2,223	3,000
Non-lease components	-	-
Total lease costs	\$ 70,471	\$ 107,243

Denison Ministries
Notes to Financial Statements
September 30, 2024 and December 31, 2023

Note 4: Lease Commitments (Continued)

Lease costs are included in office rent and administrative and office expenses on the accompanying statements of functional expenses.

The Organization's weighted average remaining lease term and discount rate relating to its operating leases were as follows for the nine-months and twelve-months periods ended September 30, and December 31:

	2024	2023
Weighted average remaining lease term (years)	4.82	5.66
Weighted average discount rate	1.73%	1.63%

Supplemental information related to the Organization's leases for the nine-month and twelve-month periods ended September 30, and December 31:

	2024	2023
Cash paid for amounts included in measurement of lease liabilities	\$ 42,686	\$ 113,578

Future minimum lease payments required under these agreements are as follows:

For the years ending September 30,	
2025	\$ 97,338
2026	95,422
2027	91,590
2028	93,283
2029	86,933
2030 and thereafter	-
Total lease payments	464,566
Less interest	(18,034)
Present value of lease liabilities	\$ 446,532

Note 5: Investments

As of September 30, 2024 and December 31, 2023, investments consisted of the following:

	2024	2023
Equity securities	\$ 250,346	\$ 15,238
Fixed income	69,204	-
Balanced funds	1,085,088	998,798
Beneficial interest held by others	14,505	14,505
	\$ 1,419,143	\$ 1,028,541

Denison Ministries
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Note 5: Investments (Continued)

Investment income (loss) for the nine months ended September 30, 2024 and year ended December 31, 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Dividends and interest, cash portion	\$ 48,235	\$ 50,001
Reinvested dividends and interest	20,446	26,265
Realized gains (losses)	(165)	(434)
Unrealized gains (losses) (Investments)	63,753	51,971
Unrealized gains (losses) (Beneficial interest)	-	1,228
Change in annuity liability	1,128	469
	<u>\$ 133,397</u>	<u>\$ 129,500</u>

Note 6: Fair Value of Financial Instruments

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2024 and December 31, 2023:

	<u>September 30, 2024</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 250,346	\$ -	\$ -	\$ 250,346
Fixed income	69,204	-	-	69,204
Balanced funds	-	1,085,088	-	1,085,088
Beneficial interest	-	-	14,505	14,505
Total	<u>\$ 319,550</u>	<u>\$ 1,085,088</u>	<u>\$ 14,505</u>	<u>\$ 1,419,143</u>

	<u>December 31, 2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 15,238	\$ -	\$ -	\$ 15,238
Balanced funds	-	998,798	-	998,798
Beneficial interest	-	-	14,505	14,505
Total	<u>\$ 15,238</u>	<u>\$ 998,798</u>	<u>\$ 14,505</u>	<u>\$ 1,028,541</u>

Note 7: Board Designated Quasi-Endowment Fund

The Board of Directors (Board) has designated certain cash and investments as a Quasi-Endowment (endowment) fund. No part of the endowment funds may be transferred to another organization, agency, or individual without Board approval. In addition, the Organization may not withdraw funds from the endowment without Board approval.

The Organization has adopted an investment approach for endowment assets that attempts to protect the related assets and provide a reasonable return until authorized use. The Organization's investment philosophy is to invest in secure vehicles, obtain adequate return on investment and invest in vehicles which are compatible with purposes of the Organization. To satisfy its long-term objectives, the Organization relies primarily on a strategy of asset diversification through professional investment managers.

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Note 7: Board Designated Quasi-Endowment Fund (Continued)

The Organization does not accept donor contributions to the endowment fund with donor-imposed restrictions. Investment income attributed to the endowment fund includes capital gains, unrealized gains/losses, and realized gains/losses. All interest and dividends reinvested in Organization investments are considered part of the operating fund.

The endowment fund is for future use by the Organization. The designated quasi-endowment rollforward for nine months ended September 30, 2024 and year ended December 31, 2023, was as follows:

December 31, 2022	\$	523,731
Contributions		26,734
Investment gains		26,338
Expenses		<u>(26,734)</u>
December 31, 2023		550,069
Contributions		20,051
Investment gains		35,089
Expenses		<u>(20,052)</u>
September 30, 2024	\$	<u><u>585,157</u></u>

Note 8: Retirement Plan

The Organization has a voluntary 403(b)(9) plan for all employees, other than leased employees and certain other employee classifications, which is managed by a third-party entity. Employees can make contributions, subject to certain limitations, on a pre-tax basis. The Organization has discretionary authority to contribute additional non-matching funds to certain eligible employees and also matches 100% of employee contributions up to 5%, for certain employees. In March 2023, the Organization ended their existing discretionary contribution program. The Organization's contribution was \$118,223 and \$190,786 for the nine-month and twelve-month periods ended September 30, 2024 and December 31, 2023, respectively.

Note 9: Related Party Transactions

The Organization conducts program activities with Possum Kingdom Lake Ministries, Inc. (Chapel) whereby the Organization provides a regular Sunday morning worship service to a gathering of believers. The Organization covers the cost of these activities. The Chapel is a separate 501(c)(3) organization that receives donations directly from donors, and there are no shared board members. If donations for the Chapel are received by the Organization, they are recorded as amounts held for others until remitted to the Chapel. As of September 30, 2024 and December 31, 2023, the Organization did not have any amounts held for others related to these donations.

Expenses related to program activities at the Chapel included salaries, information technology, pastoral care, and travel and totaled \$84,000 and \$72,183 for the nine-month and twelve-month periods ended September 30, 2024 and December 31, 2023, respectively.

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Note 10: Net Assets With Donor Restrictions

As of September 30, 2024 and 2023, net assets with donor restrictions consisted of the following:

	2024	2023
Going Deeper	\$ -	\$ 668,100
Worship project	13,154	20,653
New program staff	-	13,159
Total assets with donor restrictions	\$ 13,154	\$ 701,912

Net assets released from donor restrictions during the nine months ended September 30, 2024 and twelve months ended December 31, 2023 consisted of the following amounts:

	2024	2023
First15 app	\$ 7,500	\$ 68
Wisdom matters	5,732	-
Going Deeper	668,100	902,150
New program staff	71,158	171,153
Total releases from donor restrictions	\$ 752,490	\$ 1,073,371

Note 11: Liquidity and Availability

The Organization is substantially supported by unrestricted contributions, but the Board from time to time designates some of these funds for specific purposes. Because a Board's designation requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

The following reflects the Organization's financial assets, reduced by the amounts not available for general use because of Board designations within one year of the nine months ended September 30, 2024 and twelve months ended December 31, 2023 statement of financial position date:

	2024	2023
Financial assets available at year end	\$ 3,062,378	\$ 3,847,533
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions	(13,154)	(701,912)
Board designated	(585,157)	(550,069)
Financial assets available within one year to meet cash needs for general expenditures	\$ 2,464,067	\$ 2,595,552