

**GTO CONFERENCES, INC.**

**Antioch, Tennessee**

**FINANCIAL STATEMENTS**

**December 31, 2006**

**JOHNSON, HICKEY & MURCHISON, P.C.**

Certified Public Accountants  
Chattanooga, Tennessee

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

GTO Conferences, Inc.:

We have audited the accompanying statement of financial position of GTO Conferences, Inc. as of December 31, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GTO Conferences, Inc. as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Johnson, Nicky & Menckem, P.C.*

November 1, 2007

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

**GTO Conferences, Inc.:**

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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GTO Conferences, Inc. as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Johnson, Hickey & Murchison, P.C.*

November 1, 2007

**GTO CONFERENCES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2006**

**ASSETS**

Cash	\$ 61,204
Other	2,105
Property and equipment (Note 3)	<u>14,504</u>
	 <u>\$ 77,813</u>

**LIABILITIES AND NET ASSETS**

Unrestricted net assets	<u>\$ 77,813</u>
	 <u>\$ 77,813</u>

(The accompanying notes are an integral part of these statements.)

**GTO CONFERENCES, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>SALES</b>	\$ 10,434
<b>COST OF SALES</b>	<u>10,736</u>
Gross profit (loss) on sales	(302)
<b>SUPPORT AND OTHER REVENUE:</b>	
Contributions, gifts and grants	158,794
Conference revenue	34,599
Interest and dividends	1,543
Realized loss on marketable securities (Note 2)	(1,579)
Other income	<u>323</u>
Total support and other revenue	<u>193,680</u>
<b>EXPENSES:</b>	
Program service	133,543
General and administrative	39,136
Fundraising	<u>11,233</u>
	<u>183,912</u>
Increase in net assets	9,466
<b>NET ASSETS:</b>	
Beginning	<u>68,347</u>
Ending	<u>\$ 77,813</u>

(The accompanying notes are an integral part of these statements.)

**GTO CONFERENCES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Program Service</b>	<b>General &amp; Adminis- trative</b>	<b>Fund- raising</b>	<b>Total</b>
Advertising	\$ 6,285	\$ -	\$ 3,143	\$ 9,428
Auto expense	3,447	1,723	-	5,170
Bank charges	-	462	-	462
Conference expense	27,938	-	-	27,938
Depreciation	415	208	207	830
Dues and subscriptions	496	248	-	744
Education and training	370	370	184	924
Insurance	-	224	-	224
Meals and entertainment	1,572	1,572	786	3,930
Miscellaneous	407	205	-	612
Office supplies	490	490	245	1,225
Professional fees	-	1,170	-	1,170
Salaries and benefits	88,541	30,535	6,255	125,331
Telephone and utilities	2,525	872	179	3,576
Travel	1,057	1,057	234	2,348
	<u>\$ 133,543</u>	<u>\$ 39,136</u>	<u>\$ 11,233</u>	<u>\$ 183,912</u>

(The accompanying notes are an integral part of these statements.)

**GTO CONFERENCES, INC.**  
**STATEMENT OF CASH FLOWS - CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from -	
Resource sales	\$ 10,434
Contributions, gifts and grants	133,185
Conferences	34,599
Other	<u>323</u>
Total cash received	<u>178,541</u>
Cash paid for -	
Resource sales	10,736
Conferences	24,916
Advertising	9,428
Auto expense	5,170
Bank charges	462
Dues and subscriptions	744
Insurance	224
Meals and entertainment	3,930
Miscellaneous	1,921
Office supplies	4,247
Payroll taxes	1,950
Professional fees	1,170
Salaries and wages	125,101
Telephone and utilities	3,576
Travel	<u>2,348</u>
Total cash paid	<u>195,923</u>
Net cash used by operating activities	<u>(17,382)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest and dividends	1,543
Proceeds from sale of securities	74,820
Purchase of property and equipment	<u>(5,939)</u>
Net cash provided by operating activities	<u>70,424</u>

<b>NET INCREASE IN CASH</b>	<b><u>\$ 53,042</u></b>
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(The accompanying notes are an integral part of these statements.)



**CASH:**

Beginning	\$ 8,162
Net increase in cash	<u>53,042</u>
Ending	<u>\$ 61,204</u>

**RECONCILIATION OF INCREASE IN NET ASSETS****TO NET CASH USED BY OPERATING ACTIVITIES:**

Increase in net assets	\$ 9,466
Adjustments to reconcile increase in net assets to net cash used by operating activities -	
Interest and dividends	(1,543)
Depreciation	830
Realized loss on marketable securities	1,579
Donation of marketable securities	(25,609)
Decrease in operating assets	<u>(2,105)</u>
Net cash used by operating activities	<u>\$ (17,382)</u>

(The accompanying notes are an integral part of these statements.)

**GTO CONFERENCES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Operations -**

The Organization is a non-denominational, non-profit Christian organization whose mission is to encourage and assist married couples in "growing toward oneness," through marriage and pre-marriage enrichment in conferences, marriage enrichment leaders training, and sales of resource materials to strengthen the marriage.

**Organization -**

The Organization is a not-for-profit corporation exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code.

**Basis of presentation -**

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Financial statement presentation follows the guidance of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2006, the Organization had only unrestricted net assets.

**Estimates -**

In preparation of these financial statements in accordance with generally accepted accounting principles, management uses estimates and assumptions that affect financial statement amounts and disclosures. Actual results could vary from the estimates that were used.

**Property and equipment -**

The Organization capitalizes significant purchases of property and equipment, which are recorded at cost. Depreciation is provided over the estimated useful lives of the individual assets by the straight-line method. Depreciation expense for the year ended December 31, 2006 was \$830.

**Cash and cash equivalents -**

For purposes of these financial statements, cash and cash equivalents include cash on hand, cash in banks, and all highly liquid debt instruments purchased with a maturity of three months or less.

**GTO CONFERENCES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued):**

**Donated assets -**

Donated property, investments, and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

**Advertising costs -**

Advertising costs consist primarily of brochures and other promotional materials, which are expensed as incurred. For the year ended December 31, 2006, advertising costs were \$9,428.

**Revenue recognition -**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**(2) INVESTMENTS:**

In December, 2005, the Organization received donated investments, which were recorded at market value of \$50,790. During the year ended December 31, 2006, the Organization received additional donations valued at \$25,609. All investments were sold during the year ended December 31, 2006, for which a loss of \$1,579 is reported in these financial statements.

**GTO CONFERENCES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**(3) PROPERTY AND EQUIPMENT:**

A summary of property and equipment at December 31, 2006, follows –

Office furniture and equipment	\$ 8,474
Computer equipment	6,705
Vehicles	<u>8,500</u>
	23,679
Less accumulated depreciation	<u>9,175</u>
	<u><u>\$ 14,504</u></u>