

2013

Financial Statements

THE CALEB COMPANY
FINANCIAL STATEMENTS

DECEMBER 31, 2013

(With Independent Auditor's Report Thereon)

THE CALEB COMPANY
FINANCIAL STATEMENTS
DECEMBER 31, 2013

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PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Caleb Company

We have audited the accompanying financial statements of The Caleb Company (a nonprofit organization) which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Caleb Company as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Patterson Hardee & Ballentine

March 10, 2014

THE CALEB COMPANY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

Current Assets:	
Cash	\$ 55,188
Investments	2,621
Accounts receivable	2,900
Contributions receivable	9,063
Prepaid expenses	<u>1,678</u>
Total current assets	\$ 71,450
 Property and Equipment:	
Land	225,000
Building and improvements	471,478
Computer equipment	40,202
Furniture, fixtures and other equipment	17,445
Vehicles	15,374
Construction in process	<u>2,500</u>
	771,999
Less: accumulated depreciation	<u>(119,585)</u>
	652,414
 Asset Whose Use is Limited:	
Cash	<u>12,983</u>
	<u>\$ 736,847</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Current installments of long-term debt	\$ 6,892
Accounts payable	6,125
Accrued expenses	3,639
Deferred revenue	<u>850</u>
Total current liabilities	\$ 17,506
Long-term debt, less current installments	<u>498,436</u>
Total liabilities	<u>515,942</u>
 Net Assets:	
Unrestricted	<u>207,922</u>
Total unrestricted net assets	207,922
Temporarily restricted	<u>12,983</u>
Total restricted net assets	<u>12,983</u>
Total net assets	<u>220,905</u>
	<u>\$ 736,847</u>

See accompanying notes to financial statements.

THE CALEB COMPANY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue:				
Public support:				
Individual contributions	\$ 350,281	\$ 12,983	\$ -	\$ 363,264
Ministry contributions	245,011	-	-	245,011
Foundation contributions	7,050	-	-	7,050
Grant income	1,000	-	-	1,000
Unrealized loss on stock	51	-	-	51
Loss on sale of stock	(18)	-	-	(18)
Loss on currency conversion	(3,088)	-	-	(3,088)
	<u>600,287</u>	<u>12,983</u>	<u>-</u>	<u>613,270</u>
Total public support				
Revenue:				
Training income	36,508	-	-	36,508
Rental income	37,247	-	-	37,247
Retreats and tours	99,706	-	-	99,706
Merchandise sales	5,825	-	-	5,825
Other income	13,315	-	-	13,315
	<u>192,601</u>	<u>-</u>	<u>-</u>	<u>192,601</u>
Total revenue				
Total public support and revenue	<u>792,888</u>	<u>12,983</u>	<u>-</u>	<u>805,871</u>
Expenses:				
Program services	690,205	-	-	690,205
Management and general	138,110	-	-	138,110
Fundraising	9,549	-	-	9,549
	<u>837,864</u>	<u>-</u>	<u>-</u>	<u>837,864</u>
Total expenses				
Increase (decrease) in net assets	(44,976)	12,983	-	(31,993)
Net assets - beginning of year	<u>252,898</u>	<u>-</u>	<u>-</u>	<u>252,898</u>
Net assets - end of year	<u>\$ 207,922</u>	<u>\$ 12,983</u>	<u>\$ -</u>	<u>\$ 220,905</u>

See accompanying notes to financial statements.

THE CALEB COMPANY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and payroll taxes	\$ 266,755	\$ 60,020	\$ 6,669	\$ 333,444
Repairs and maintenance	-	7,221	-	7,221
Rental expense	-	6,091	-	6,091
Miscellaneous programs	20,831	-	-	20,831
Merchandise expense	3,322	-	-	3,322
Advertising	-	-	2,880	2,880
Professional fees	6,250	-	-	6,250
Office expense	9,498	-	-	9,498
Tithing expense	49,297	-	-	49,297
Information technology	55	3,055	-	3,110
Utilities	6,723	-	-	6,723
Israel	34,267	-	-	34,267
Travel	230,099	-	-	230,099
Contract labor	-	10,035	-	10,035
Interest	-	12,472	-	12,472
Housing	52,992	-	-	52,992
Depreciation	-	21,217	-	21,217
Insurance	-	14,900	-	14,900
Property taxes	-	3,099	-	3,099
Telephone	4,722	-	-	4,722
Miscellaneous	1,228	-	-	1,228
Bank charges	4,166	-	-	4,166
	<u>\$ 690,205</u>	<u>\$ 138,110</u>	<u>\$ 9,549</u>	<u>\$ 837,864</u>

See accompanying notes to financial statements.

THE CALEB COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

Cash Flows From Operating Activities:			
Decrease in net assets		\$	(31,993)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:			
Depreciation	\$	21,217	
Realized loss on sale of stock		18	
Unrealized gain on stock		(51)	
Donated investment		(2,570)	
Changes in:			
Accounts receivable		(2,900)	
Contributions receivable		(9,063)	
Prepaid expenses		(1,678)	
Asset whose use is limited		(12,983)	
Deferred revenue		850	
Accounts payable		4,671	
Total adjustments		<u>(2,489)</u>	
Net cash used in operating activities			<u>(34,482)</u>
Cash Flows From Investing Activities:			
Proceeds from sale of stock		2,070	
Purchase of property and equipment		<u>(6,827)</u>	
Net cash used in investing activities			(4,757)
Cash Flows From Financing Activities:			
Payments on note payable		<u>(12,322)</u>	
Net cash used in financing activities			<u>(12,322)</u>
Net decrease in cash			(51,561)
Cash - beginning of year			<u>106,749</u>
Cash - end of year		\$	<u><u>55,188</u></u>

Supplemental Cash Flow Information

Total interest paid during 2013 was \$12,472.

See accompanying notes to financial statements.

THE CALEB COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 - Nature of Activities

The terms "we", "us", or "our" are used throughout these notes to the financial statements to identify The Caleb Company, a nonprofit organization. The Caleb Company is a prayer-centered community called to honor Israel and empower leaders to transform nations.

Dr. Don Finto founded our nonprofit ministry in 1996. We have since grown into a thriving community with facilities and staff in Nashville, Tennessee, and Jerusalem, Israel. Following Don's footsteps, Tod McDowell became director of Caleb Company in 2010.

Our mission is to equip God's people with His heart and purpose for Israel and the nations. We fulfill this mission through three primary areas: teaching and speaking, training and equipping, and creating resources.

Overview of Caleb Company Programs

Teaching and Speaking

We highly value ministering to the poor, the lost and the broken of the nations. We have taken teams to Israel, Jordan, Lebanon, India, and multiple nations in Africa. Outreach types vary from manual labor and service to building relationships and evangelism. In 2013, we went to Mozambique for three weeks to train more than 400 pastors from the bush, to work with thousands of orphans, widows and prisoners in the local prison, and to pray for the sick and share the gospel in remote villages throughout the country.

We also partnered with a large community of over 200 poverty-stricken holocaust survivors in Israel, where we gave aid and shared Jesus with them. We take teams to work with African and Middle Eastern refugees in Israel, and to single mothers and new immigrants as well. We are consistently building new relationships with unbelievers in Israel and the nations – taking advantage of every opportunity we have to share Jesus.

We have spoken in dozens of conferences, training schools, churches and seminaries across the United States and around the world including these nations: Israel, Lebanon, Philippines, Ethiopia, Egypt, Kenya, Uganda, Mozambique, South Africa, South Korea, Singapore, Ukraine, Spain, Poland, Germany, Austria, Cyprus, France, Australia, New Zealand, Netherlands, Norway, Switzerland, Italy, Turkey, Brazil, Argentina, Mexico, England, and Canada.

Training and Equipping

We have conducted six training schools along with two extended internships that have included teaching and ministry time in Nashville, Israel, and Lebanon. We have had over eighty students and interns that have become teachers, businessmen, entrepreneurs, missionaries, and served on political campaigns. We have held five intensive training seminars in Nashville. Among the over seventy participants were many significant and influential ministry and business leaders from across the nation.

Creating Resources

The resources we created that further our mission include two books, "Your People Shall Be My People" and "God's Promise and the Future of Israel" which is now in sixteen languages distributed around the world. The translations are: English, German, French, Dutch, Norwegian, Icelandic, Italian, Thai, Turkish, Spanish, Portuguese, Russian, Korean, Mandarin Chinese, Farsi, and Finnish. "God's Promise and the Future of Israel" is translated into English, German, French, Dutch, and Mandarin Chinese. We also have produced training school manuals, audio and video Recordings, and a study guide for the book, "Your People Shall Be My People."

THE CALEB COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations, which may or will be met, either by our actions and/or by the passage of time. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations which require the assets to be permanently maintained. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes. We had no permanently restricted net assets as of December 31, 2013.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2013, we had no cash equivalents.

Long-lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At December 31, 2013, no assets were considered to be impaired.

Revenue

We receive contributions from the general public and grants from private organizations to fund our operations. We recognize this revenue as it is received or promised to us.

Contributions Receivable

Unconditional promises to give (pledges) are recognized as contribution revenue when the donor's commitment is received. Pledges with payments due to us in future periods are recorded as increases in temporarily restricted or permanently restricted net assets at the estimated present value of future cash flows, net of an allowance for estimated uncollectible promises. Allowance is made for uncollectible contributions receivable based upon our analysis of past collection experience and other judgmental factors. As of December 31, 2013, all amounts are due in less than one year and no discount to net present value is considered necessary.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

THE CALEB COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2 - Summary of Significant Accounting Policies (continued)

Income Tax Status

We are a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes. We are not subject to examination by U.S. federal or state taxing authorities for years before 2010.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Advertising

Costs for marketing efforts typically consist of educational material for the public and are expensed as incurred.

Fair Values of Financial Instruments

The carrying values of current assets, current liabilities, and restricted cash approximate fair values due to the short maturities of these instruments.

The fair values of long-term debt approximate the carrying amounts and are estimated based on current rates offered to us.

NOTE 3 - Contributions Receivable

Contributions receivable are recorded at net realizable value and are classified as unrestricted contributions.

Contributions receivable consisted of the following as of December 31, 2013:

Due in less than one year	<u>\$ 9,063</u>
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NOTE 4 - Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value as of the date of donation. Depreciation is provided using the straight line basis over the estimated useful lives of the respective assets. Purchases or donations of equipment over \$500 are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

NOTE 5 - Accrued Expenses

At December 31, 2013, expenses were accrued for salaries payable in the amount of \$3,639.

NOTE 6 - Long-term Debt

In 2010, we entered into an agreement to purchase approximately 10 acres of land in Williamson County, Tennessee, for \$675,000. The land included a house of approximately 4,000 square feet. The land and house are secured by a loan which bears interest initially at 2.5% annually and is subject to change monthly, but in no event will fall below 2.5% per year. Until maturity, the loan requires a minimum \$2,000 monthly

THE CALEB COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 6 - Long-term Debt (continued)

payment, which will be applied to the monthly interest calculation with any excess applied to principal. The note matures on June 30, 2015, with any unpaid principal due at that time.

As of December 31, 2013, long-term debt is as follows:

Note payable on house and land	\$ 505,328
Less: current maturities	<u>(6,892)</u>
	<u>\$ 498,436</u>

The following is a list of future maturities:

<u>Year ending December 31,</u>	
2014	\$ 6,892
2015	<u>498,436</u>
	<u>\$ 505,328</u>

NOTE 7 - Temporarily Restricted Net Assets

At December 31, 2013, we held assets whose use was temporarily restricted by donors due to time restrictions in the amount of \$12,983.

NOTE 8 - Lease Agreements

We lease a copier and office space under leases classified as operating leases. The office space, which is located in Israel, was rented from a board member for \$25,981 in 2013. See NOTE 10. Total rental expense for the year ended December 31, 2013, was \$32,072.

In February 2013, we entered into a one year lease for an apartment in Jerusalem, Israel with an option to renew for another year. We have since renewed the lease through February 2015. Under this lease, the monthly rent is 9500 Israeli New Shekel (NIS). At December 31, 2013, the conversion rate for the Israeli New Shekel (NIS) to U.S. dollars was 0.2869. The future lease obligation was calculated using this rate for monthly rent of \$2,726.

Future minimum payments for these leases are as follows:

<u>Year ending December 31,</u>	
2014	\$ 34,423
2015	7,167
2016	1,716
2017	<u>429</u>
Total	<u>\$ 43,735</u>

NOTE 9 - Concentration of Credit Risk

At December 31, 2013, we were due 100% of all accounts receivable from one donor and 81% of contributions receivable were due from three donors. We owed 100% of all payables to three vendors.

THE CALEB COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 10 - Related Party Transactions

As discussed in NOTE 8, we reimbursed a board member for \$25,981 for rent expense for an apartment in Jerusalem, which is used in our work in Israel.

We received \$10,200 in rental income from the Executive Director in 2013 for rent of the house on Caleb Company's property. The lease is month to month and therefore no future maturities of rent income have been disclosed. At December 31, 2013, deferred income of \$850 was due to early payment of the Executive Director's rent.

Total rental income as of December 31, 2013 was \$37,247.

NOTE 11 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2013. As of March 10, 2014, the date the financial statements were available to be issued, no events subsequent to the Statement of Financial Position date are considered necessary to be included in the financial statements for the year ended December 31, 2013.