

2016

Financial Statements

THE CALEB COMPANY
FINANCIAL STATEMENTS
DECEMBER 31, 2016

(With Independent Auditor's Report Thereon)

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FINANCIAL STATEMENTS
DECEMBER 31, 2016

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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, 2016, 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 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.

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, 2016, 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 9, 2017

THE CALEB COMPANY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

Current Assets:		
Cash	\$ 301,071	
Accounts receivable	305	
Prepaid expenses	2,800	
Inventory	4,225	
Total current assets	<u> </u>	\$ 308,401
Property and Equipment:		
Land	400,000	
Building and improvements	833,228	
Computer equipment	44,469	
Furniture, fixtures and other equipment	23,069	
Vehicles	15,374	
	<u>1,316,140</u>	
Less: accumulated depreciation	(192,769)	
Property and equipment - net	<u> </u>	1,123,371
Total assets	<u> </u>	<u>\$ 1,431,772</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Current installments of long-term debt	\$ 44,401	
Accounts payable	6,963	
Due to related party	2,250	
Accrued liabilities	14,337	
Total current liabilities	<u> </u>	\$ 67,951
Long-term debt, less current installments	<u>831,795</u>	
Total liabilities	<u> </u>	899,746
Net Assets:		
Unrestricted	<u>532,026</u>	
Total net assets	<u> </u>	532,026
Total liabilities and net assets	<u> </u>	<u>\$ 1,431,772</u>

See accompanying notes to financial statements.

THE CALEB COMPANY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue:				
Public support:				
Individual contributions	\$ 504,031	\$ -	\$ -	\$ 504,031
Ministry contributions	47,567	-	-	47,567
Foundation contributions	10,564	-	-	10,564
Loss on disposal of PP&E	(16,911)	-	-	(16,911)
Loss on currency conversion	(331)	-	-	(331)
Total public support	<u>544,920</u>	<u>-</u>	<u>-</u>	<u>544,920</u>
Revenue:				
Training income	205,603	-	-	205,603
Rental income	43,025	-	-	43,025
Retreats and tours	16,012	-	-	16,012
Merchandise sales	5,374	-	-	5,374
Other income	84,864	-	-	84,864
Total revenue	<u>354,878</u>	<u>-</u>	<u>-</u>	<u>354,878</u>
Total public support and revenue	<u>899,798</u>	<u>-</u>	<u>-</u>	<u>899,798</u>
Expenses:				
Program services	831,972	-	-	831,972
Management and general	96,242	-	-	96,242
Fundraising	5,650	-	-	5,650
Total expenses	<u>933,864</u>	<u>-</u>	<u>-</u>	<u>933,864</u>
Decrease in net assets	(34,066)	-	-	(34,066)
Net assets - beginning of year	<u>566,092</u>	<u>-</u>	<u>-</u>	<u>566,092</u>
Net assets - end of year	<u>\$ 532,026</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 532,026</u>

See accompanying notes to financial statements.

THE CALEB COMPANY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and payroll taxes	\$ 133,255	\$ 55,064	\$ 1,557	\$ 189,876
Repairs and maintenance	13,868	1,206	-	15,074
Rental expense	37,496	1,160	-	38,656
Meals and entertainment	23,365	-	-	23,365
Merchandise expense	4,414	-	-	4,414
Advertising	6,121	-	2,150	8,271
Professional fees	-	8,639	-	8,639
Office expense	20,038	5,138	514	25,690
Tithing expense	64,885	-	-	64,885
Honorariums	6,610	-	-	6,610
Information technology	8,772	179	-	8,951
Utilities	10,427	2,607	-	13,034
Israel	9,805	-	-	9,805
Travel	236,425	238	1,429	238,092
Contract labor	83,267	3,289	-	86,556
Interest	21,046	2,338	-	23,384
Housing	78,249	4,118	-	82,367
Depreciation	21,509	7,170	-	28,679
Insurance	16,356	1,618	-	17,974
Property taxes	5,138	1,285	-	6,423
Telephone	4,784	252	-	5,036
Miscellaneous	8,678	-	-	8,678
Bank charges	17,464	1,941	-	19,405
	<u>\$ 831,972</u>	<u>\$ 96,242</u>	<u>\$ 5,650</u>	<u>\$ 933,864</u>

See accompanying notes to financial statements.

THE CALEB COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash Flows From Operating Activities:		
Decrease in net assets	\$	(34,066)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	\$	28,679
Loss on disposal of property and equipment		16,911
Changes in:		
Accounts receivable		(305)
Inventory		(389)
Asset whose use is limited		4,042
Accounts payable		7,689
Total adjustments		56,627
Net cash provided by operating activities		22,561
Cash Flows From Investing Activities:		
Purchase of property and equipment		(90,902)
Net cash used in investing activities		(90,902)
Cash Flows From Financing Activities:		
Payments on note payable		(32,786)
Net cash used in financing activities		(32,786)
Net decrease in cash		(101,127)
Cash - beginning of year		402,198
Cash - end of year	\$	301,071

Supplemental Cash Flow Information

Total interest paid for the year ended December 31, 2016, was \$23,324.
A mortgage of \$446,250 was issued to finance the purchase of a new property.

THE CALEB COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 The 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 2016, we sent several teams of alumni, staff and tour participants not only to Israel, but also to Nigeria, Kenya, Philippines, Cypress, Jordan, Australia and various places throughout the United States.

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 eight training schools along with two Ministry Schools and two Extended Internships 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 three books, "Your People Shall Be My People," "God's Promise and the Future of Israel," and "Prepare! For the End Times Harvest". "Your People Shall Be My People" 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, 2016

NOTE 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared using 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, 2016.

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, 2016, we had no cash equivalents.

Inventory

Inventories of books are carried at cost using the first-in, first-out method of costing.

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.

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, 2016, 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.

THE CALEB COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 - Summary of Significant Accounting Policies (continued)

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, 2016, we had no contributions receivable.

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.

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.

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, and current liabilities 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.

THE CALEB COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 - Long-term Debt

Long-term debt at December 31, 2016, consists of the following:

Mortgage note payable to two individuals with a maturity of March 7, 2021. Monthly payments of up to \$2,000 are required with interest at 2.5%. The note is collateralized by the real property.	\$ 439,361
Mortgage note payable to Pinnacle Bank with a maturity through May 9, 2036. Monthly payments of \$2,778 are required with interest at 4.25%. The note is collateralized by the real property.	436,835
	876,196
Less: current maturities	(44,401)
	\$ 831,795

The following is a list of future maturities:

<u>Year ending December 31,</u>	
2017	\$ 44,401
2018	45,052
2019	45,731
2020	46,440
2021	339,661
Thereafter	354,911
Total	\$ 876,196

NOTE 4 - 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 for \$32,139 in 2016. This lease agreement is in the name of a board member, See NOTE 6. Total rental expense for the year ended December 31, 2016, was \$38,656.

In February 2016, we extended our lease agreement through February 2017 for an apartment in Jerusalem, Israel. Under this lease, the monthly rent is 10,078 Israeli New Shekel (ILS). At December 31, 2016, the conversion rate for the Israeli New Shekel (NIS) to U.S. dollars was 0.2608. The future lease obligation was calculated using this rate for monthly rent of \$2,628.

Future minimum payments for these leases are as follows:

<u>Year ending December 31,</u>	
2017	\$ 5,686

NOTE 5 - Concentration of Credit Risk

At December 31, 2016, we owed 100% of all payables to three entities.

THE CALEB COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6 - Related Party Transactions

As discussed in NOTE 4, we paid \$32,139 for rent expense, on behalf of a board member, 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 2016 for rent of the house on The Caleb Company's property. The lease is month to month and therefore no future maturities of rent income have been disclosed. Total rental income as of December 31, 2016, was \$43,025.

We pay royalties of 20% of profits to a related party for books sold by the Organization. At December 31, 2016, we owed \$2,250 of royalties to a related party.

NOTE 7 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2016. As of March 9, 2017, 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, 2016.