

2012

Financial Statements

THE CALEB COMPANY

FINANCIAL STATEMENTS

DECEMBER 31, 2012

(With Independent Auditor's Report Thereon)

THE CALEB COMPANY
FINANCIAL STATEMENTS
DECEMBER 31, 2012

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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, 2012, 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, 2012, 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

July 8, 2013

THE CALEB COMPANY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

Current Assets:		
Cash and cash equivalents	\$ 106,749	
Marketable security	2,088	
Total current assets	\$ 108,837	
 Property and Equipment:		
Land	225,000	
Building and improvements	471,478	
Computer equipment	35,875	
Furniture, fixtures and other equipment	17,445	
Vehicles	15,374	
	765,172	
Less: accumulated depreciation	(98,368)	
		666,804
		\$ 775,641

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 2,766	
Salaries payable	2,327	
Total current liabilities	\$ 5,093	
Note payable		517,650
Total liabilities		522,743
 Net Assets:		
Unrestricted	252,898	
Total unrestricted net assets		252,898
		\$ 775,641

See accompanying notes to financial statements.

THE CALEB COMPANY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue:				
Public support:				
Individual contributions	\$ 253,003	\$ -	\$ -	\$ 253,003
Ministry contributions	180,862	-	-	180,862
Mission trip contributions	7,308	-	-	7,308
Released from restriction	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total public support	441,173	-	-	441,173
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue:				
Training income	115,469	-	-	115,469
Rental income	8,500	-	-	8,500
Merchandise sales	4,676	-	-	4,676
Other income	16,259	-	-	16,259
Interest income	15	-	-	15
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	144,919	-	-	144,919
	<hr/>	<hr/>	<hr/>	<hr/>
Total public support and revenue	586,092	-	-	586,092
	<hr/>	<hr/>	<hr/>	<hr/>
Expenses:				
Program services	507,129	-	-	507,129
Management and general	26,570	-	-	26,570
Fundraising	25,318	-	-	25,318
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	559,017	-	-	559,017
	<hr/>	<hr/>	<hr/>	<hr/>
Increase in net assets	27,075	-	-	27,075
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets - beginning of year	225,823	-	-	225,823
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets - end of year	\$ 252,898	\$ -	\$ -	\$ 252,898
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

THE CALEB COMPANY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and payroll taxes	\$ 186,769	\$ 10,376	\$ 10,376	\$ 207,521
Employees benefits	9,001	500	500	10,001
Repairs and maintenance	7,915	-	-	7,915
Rental expense	31,000	-	-	31,000
Mission trips	75,123	-	-	75,123
Miscellaneous programs	23,004	-	-	23,004
Merchandise expense	5,982	-	-	5,982
Charitable donations	17,332	-	-	17,332
Professional fees	8,732	-	-	8,732
Training expense	35,522	-	-	35,522
Office expense	3,845	1,281	1,281	6,407
Information technology	3,526	1,175	1,175	5,876
Utilities	4,082	1,360	1,360	6,802
Israel aid	24,395	-	-	24,395
Travel	23,331	2,561	2,561	28,453
Contract labor	906	-	-	906
Interest	7,988	2,663	2,663	13,314
Ministry expense	18,195	-	-	18,195
Depreciation	12,212	4,071	4,071	20,354
Insurance	1,955	652	652	3,259
Property taxes	1,394	465	465	2,324
Telephone	3,856	214	214	4,284
Miscellaneous	1,064	-	-	1,064
Bank charges	-	1,252	-	1,252
	<u>\$ 507,129</u>	<u>\$ 26,570</u>	<u>\$ 25,318</u>	<u>\$ 559,017</u>

See accompanying notes to financial statements.

THE CALEB COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

Cash Flows From Operating Activities:		
Increase in net assets		\$ 27,075
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$ 20,354	
Gain on sale of property and equipment	(56)	
Changes in:		
Marketable security	(2,088)	
Accounts payable	2,716	
Total adjustments		20,926
Net cash provided by operating activities		48,001
Cash Flows From Investing Activities:		
Proceeds from sale of property and equipment	9,000	
Purchase of property and equipment	(15,284)	
Net cash used in investing activities		(6,284)
Cash Flows From Financing Activities:		
Proceeds from note payable	5,784	
Payments on note payable	(15,675)	
Net cash used in financing activities		(9,891)
Net increase in cash		31,826
Cash and cash equivalents - beginning of year		74,923
Cash and cash equivalents- end of year		<u>\$ 106,749</u>

Supplemental Cash Flow Information

Total interest paid during 2012 was \$12,109.

See accompanying notes to financial statements.

THE CALEB COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

Caleb Company highly values 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 2012, Caleb Company 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, 2012

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.

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, 2012, 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, 2012, 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 the organization in accordance with generally accepted accounting principles for nonprofit organizations.

Contributions Receivable

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional promises to give are recorded when the promises are made. Unconditional promises to give due in the next year are reflected as current contributions receivable to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term contributions receivable and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts.

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, 2012

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 the Organization is classified as an organization which 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 adopted guidance issued by FASB with respect to accounting for uncertain tax positions as of January 1, 2009. A tax position is recognized as a benefit only if it is "more likely than not" the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit greater than 50 percent likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The adoption had no effect on our financial statements.

We recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. We have no amounts accrued for interest or penalties as of December 31, 2012. We are no longer subject to examination by U.S. federal and state taxing authorities for years before 2009. Therefore, no provision for income taxes is included in the accompanying financial statements

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.

NOTE 3 - 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 4 - Minimum Lease Obligation

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 \$30,000 in 2012. Total rental expense for the year ended December 31, 2012 was \$32,637.

In February 2013, we entered into a one year lease for an apartment in Jerusalem, Israel with an option to renew for another year. Under this lease, the monthly rent is 9500 Israeli New Shekel (NIS). At December 31, 2012, the conversion rate for the Israeli New Shekel (NIS) to U.S. dollars was 0.2681. The future lease obligation was calculated using this rate for monthly rent of \$2,547.

THE CALEB COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 4 - Minimum Lease Obligation (continued)

Future minimum payments for these leases are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 27,186
2014	6,810
2015	1,716
2016	1,716
2017	429
Thereafter	<u>-</u>
Total	<u>\$ 37,857</u>

NOTE 5 - Note Payable

In 2010, Caleb Company 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 2015, the loan requires interest only payments with a minimum \$2,000 monthly payment, which will be applied to the monthly interest calculation with any excess applied to principal. From the payments made in 2012, \$9,891 was applied to the loan principal. The note matures on June 30, 2015, with any unpaid principal due at that time.

NOTE 6 - Related Party Transactions

As discussed in Note 4, we reimbursed a board member for \$30,000 for rent expense for an apartment in Jerusalem, which is used in our work in Israel. We also received \$8,500 in rental income from the Executive Director in 2012 for rent of the house on Caleb Company's property.

NOTE 7 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2012. As of July 8, 2013, 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, 2012.