Global Outreach Developments International

Financial Statements and Independent Auditor's Report
June 30, 2018

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Independent Auditor's Report

To the Board of Directors of
Global Outreach Developments International
Old Hickory, TN

We have audited the accompanying financial statements of Global Outreach Developments International (a Tennessee non-profit corporation), the Organization, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, cash flows and functional expenses for the six months 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 Global Outreach Developments International as of June 30, 2018, and the changes in its net assets and its cash flows for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of income and expenses for the Organization's Institute program on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Puryear & Noonan, CPAs PLLC

Puryear & Noonan, CPA's
Nashville, TN
July 22, 2019

Global Outreach Developments International
Statement of Financial Position
June 30, 2018

	Assets	
Current Assets:		
Cash in Bank	$	254,143
Accounts Receivable		188,998
Prepaid Expenses		3,184
Investments		3,935
Total Current Assets		450,260
Property and Equipment - Net		2,470,745
Other Assets:		
Notes Receivable		31,418
Net Other Assets		31,418
Total Assets	$	2,952,423
	Liabilities and Net Assets	
Current Liabilities:		
Accounts Payable and Accrued Expenses	$	67,016
Credit Cards Payable		27,941
Payroll Liabilities		539
Deferred Revenue		4,973
Current portion of Notes Payable		60,637
Total Current Liabilities		161,106
Long-term Debt:		
Notes Payable		944,498
Loan Origination Fees, Net		(10,564)
Total Long-Term Liabilities		933,934
Total Liabilities		1,095,040
Net Assets:		
Without Donor Restrictions		1,719,304
With Donor Restrictions		138,079
Total Net Assets		1,857,383
Total Liabilities and Net Assets	$	2,952,423

Global Outreach Developments International
Statement of Activities and Changes in Net Assets
For the Six Months Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Contributions & Grants	$ 200,603	$ 164,650	$ 365,253
Institute and Academy	324,028	-	324,028
Itinerant Accomodation Rent	90,740	-	90,740
Service Revenue	327,857	-	327,857
Other Income	21,851	-	21,851
In-Kind Contributions	364,968	-	364,968
Investment Gains/(Losses)	(198)		(198)
Net Assets Released from Restriction	164,788	(164,788)	-
Total Revenues and Support	1,494,637	(138)	1,494,499
Expenses:			
Program Services	1,108,346	-	1,108,346
General and Administrative	265,361	-	265,361
Fundraising	5,215	-	5,215
Total Expenses	1,378,922	-	1,378,922
Change in Net Assets	115,715	(138)	115,577
Net Assets - Beginning of Year	1,603,589	138,217	1,741,806
Net Assets - End of the Year	$ 1,719,304	$ 138,079	$ 1,857,383

See Independent Auditor's Report and Notes to the Financial Statements

Global Outreach Developments International
Statement of Cash Flows
For the Six Months Ended June 30, 2018

Cash Flows from Operating Activities:	
Change in Net Assets	$ 115,577
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	37,257
Unrealized Loss on Investments	146
Interest Expense Allocated to Debt Issuance Costs	1,266
Increase in Accounts Receivable	(89,803)
Decrease in Notes Receivable	4,793
Decrease in Prepaid Expenses	4,978
Increase in Accounts Payables and Accrued Expenses	46,260
Increase in Credit Card Payables	23,791
Increase in Payroll Liabilities	539
Decrease in Deferred Revenue	(14,516)
Total Adjustments	14,711
Net Cash Provided by Operating Activities	130,288
Cash Flows from Investing Activities	
Purchase of Property and Equipment	(223,510)
Purchase of Investments	(4,081)
Net Cash Used for Investing Activities	(227,591)
Cash Flows from Financing Activities	
Proceeds from Notes Payable	115,132
Principal Payments on Notes Payable	(52,651)
Net Cash Provided by Financing Activities	62,481
Net Decrease in Cash	(34,822)
Cash - Beginning of the Year	288,965
Cash - End of Year	$ 254,143
Supplemental Cash Flow Information:	
Interest Paid	$ 22,113

See Independent Auditor's Report and Notes to the Financial Statements

Global Outreach Developments International
Statement of Functional Expenses
For the Six Months Ended June 30, 2018

	Program Services	General and Administrative	Fundraising	Total
Salaries and Benefits	$ 275,965	$ 119,932	$ 5,215	$ 401,112
Program Facilitation	525,647	31,008	-	556,655
3rd World Development	96,437	-	-	96,437
Utilities	26,028	26,028	-	52,056
Benevolence	49,840	1,189	-	51,029
Repairs and Maintenance	18,795	19,745	-	38,540
Depreciation & Amortization	22,770	14,487	-	37,257
Information Technology & Software	34,653	2,083	-	36,736
Interest Expense	9,107	9,244	-	18,351
Professional Services	6,061	10,083	-	16,144
Insurance Expense	5,609	10,196	-	15,805
Travel	11,169	3,903	-	15,072
Rent Expense	7,523	7,522	-	15,045
Office Expenses	6,774	3,605	-	10,379
Educational Materials	6,936	68	-	7,004
Taxes & Licenses	1,679	1,786	-	3,465
Printing & Postage	40	3,094	-	3,134
Bank & Credit Card Fees	2,166	211	-	2,377
Other Expenses	277	966	-	1,243
Telephone & Internet	870	211	-	1,081
Total Functional Expenses	$ 1,108,346	$ 265,361	$ 5,215	$ 1,378,922

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business Activity

Global Outreach Developments International (the Organization) is a non-profit organization that equips a globally conscious community to serve the poor and marginalized through education, advocacy and empowerment, without discrimination, demonstrating unconditional love.

The Organization is an educational institution, a community service organization, and a third world development agency. As an educational institution the Organization operates a college that trains community service leaders and development workers. The Organization also has a K-12 school, and tutorial program that focuses on alternative approaches to Primary and Secondary education, utilizing progressive and innovative teaching techniques. With regard to community service, the Organization mobilizes thousands of volunteers per year, to perform services for the elderly, the widow, the disabled, and the poor, including the refugee and immigrant. As a development agency, the Organization empowers third world communities by initiating works related to meeting their basic needs and advancing their health as a society. This includes works related to accessing water, public health, literacy & education, sustainable building, and agriculture. The Organization also has performing arts programs to create awareness of the causes they champion.

Basis of Accounting

The financial statements of the Organization are presented using the accrual basis of accounting, under which revenues are recognized when earned rather that when collected and expenses are recognized when incurred rather than when disbursed.

Financial Statement Presentation

For financial statement presentation, the Organization reports its financial information according to two classes of net assets (net assets with and without donor restrictions) based on the existence or absence of donor-imposed restrictions.

> Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. Net assets without restrictions may be designated for specific purposes by action of the Board of Directors.
>
> Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities, contributions, event income and rental income. Non-operating activities are limited to resources that generate return from investments, donor-restricted contributions, net assets released for capital expenditures, and other activities considered to be of a more unusual or non-recurring nature.

Use of Estimates

The preparation of financial statements in accordance with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Program and Supporting Services – Functional Allocation

The following program and supporting services are included in the accompanying financial statements:

Program services - include activities carried out to fulfill the Organization's mission, resulting in services such as education, job-training, summer camps, hardship relief and other programs conducted by the Organization.

Supporting services - Management and general - relate to the overall direction of the Organization. These expenses are not identifiable with a particular program, event or fundraising, but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organization oversight, business management, record keeping, budgeting, financing, and other administrative activities.

Supporting services - Fundraising and special events - include cost of activities directed toward appeals for financial support, including special event costs including food, space rental, entertainment, communication, waitstaff, etc. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Fair Value Measurements

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 820-10, *Fair Value Measurements*, with respect to its financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are as follows:

Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 - Other observable inputs, either directly or indirectly, including:

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

Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, accounts receivable, notes receivable, notes payable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Cash and Cash Equivalents

Cash and cash equivalents are liquid assets with minimal interest rate risk and original maturities of three months or less when purchased. Such assets primarily consist of depository account balances and money market funds. The Organization had no cash equivalents as of June 30, 2018.

Accounts Receivable

Accounts receivable represent unpaid tuition and rent for classes and lodging during the six months ended June 30, 2018. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances. Management believes that all accounts receivable are fully collectible and has not recorded an allowance for doubtful accounts at June 30, 2018.

Investments

The Organization's sole investment account comprises $247 in cash, as well as publicly-traded stocks valued at $3,688 as of June 30, 2018, based on market quotes (Level I). Dividends for the calendar year are projected to be $107.

Property and Equipment

Furniture and equipment are recorded at acquisition cost. Improvements and betterments are capitalized, while repairs and maintenance expenditures are expensed in the statement of activities. Depreciation is recorded using the straight-line method over the expected useful lives (ranging from 3 to 7 years) of each asset.

Construction in Progress

The Organization incurred costs for projects which have not been placed in service as of June 30, 2018. The projects consist of various works locally and internationally.

Notes Receivable

Notes receivable consists of the following at June 30, 2018:

	Principal
A note receivable to a student for tuition, due in full by August 15, 2019.	$7,178
A four year note receivable on the sale of equipment to a related party bearing interest at 3%.	24,240
Total Notes Receivable	$31,418

Service Revenue

The Organization conducts several activities which provide services to the public. These activities are staffed by individuals who are in training or who have been trained by the Organization and the activities are considered part of the Organization's mission. Revenues for these services are recognized when earned.

In-Kind Contributions

Donated facilities and materials are recorded as gifts in the period received at fair value, if there is an objective and measurable basis for determining such value.

Donated services are recognized if they create or enhance non-financial assets or the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by the Organization if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

During the half-year ended June 30, 2018 the Organization's financial statements reflect donations of goods valued at $5,784, and donations of services totaling $359,184. All of the donated services were related to program facilitation.

Income Taxes

The Organization is recognized as a tax-exempt Organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an Organization that is not a private Organization under Section 509(a)(1).

The Organization follows the guidance in ASC 740 on accounting for uncertainty in income taxes. For all tax positions taken by the Organization, management believes it is clear that the likelihood is greater than 50 percent that the full amount of the tax positions taken will be ultimately realized. Therefore management believes that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for the open tax years (2015 – 2017), or expected to be taken in the Organization's 2018 tax returns. The Organization identifies its major tax jurisdiction's as the U.S. Federal and the State of Tennessee. However, the Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions. The Organization is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change in the next twelve months. The Organization incurred no interest or penalties during the six months ended June 30, 2018.

NOTE 2 –ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

NOTE 3 – LIQUIDITY AND AVAILABILITY

The Organization has $258,078 of financial assets consisting of cash and investments, of which $138,079 is subject to donor restrictions, therefore, leaving $119,999 available within one year of the Statement of Financial Position date to meet cash needs for general expenditures. 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 Organization is also dependent on in-kind donations of goods and services to reduce general expenditures.

NOTE 4 – CREDIT RISK

The Organization maintains its cash in bank deposit accounts that at times may exceed the federally insured limit of $250,000.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2018:

Land & Buildings	$2,244,449
Construction in Progress	377,203
Furniture & Equipment	364,387
Vehicles	16,200
	3,002,239
Less accumulated depreciation	(531,494)
	$2,470,745

Depreciation expense was $37,257 for the six months ended June 30, 2018.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets of $164,788 were released from donor restrictions by incurring expenses satisfying the restrictions specified by the donor in the first six months of 2018. At June 30, 2018, there was $138,079 earmarked by donors for various regional teams.

NOTE 7 – CONCENTRATIONS

The Organization receives a substantial amount of its support and revenues from the development training school, from various grants for community projects, and from donors supporting specific works overseas. Should enrollment in the institution decline, grants become unavailable, and/or foreign projects become infeasible, the Organization's operations will be affected.

NOTE 8 – LONG-TERM DEBT

Long-Term Debt consists of a single commercial note bearing an interest rate of 4.60% with a balance of $1,005,135 at June 30, 2018 collateralized by property and a building. The note requires monthly payments of $8,811 and matures on June 19, 2024, at which time the remaining balance is due.

Future minimum principal payments for fiscal years remaining on the note are as follows:

2019	2020	2021	2022	2023	Thereafter
$60,637	$63,017	$66,020	$69,165	$72,461	$673,835

Interest expense on this loan was $21,040 for the six months ended June 30, 2018, of which $5,028 was capitalized and $16,012 expensed. Other interest expense comprised credit card interest and amortization of loan origination fees.

The Organization also has access to a second loan for the institute building, with a maximum principal of $1,132,000. Its balance on June 30, 2018 and through the date of the report is $0.

NOTE 9 – RELATED PARTY TRANSACTIONS

Certain management and employees related to the Organization have allowed the Organization to utilize personal credit cards to make purchases related to the activities of the Organization. Cards designated for use by the Organization are not used for personal activity, and the Organization pays all principal and interest.

The Organization's officers own multiple businesses engaged in various services. During the six months ended June 30, 2018, the Organization recognized revenues, including lease income, and expense reimbursements from the following related parties. The receivable column reflects balances at June 30, 2018 included in accounts receivable.

	Receipts	Receivable
Center Street Recording Studios, LLC	$ 25,355	43,398
Hopewell Family Care, PLLC	15,879	2,445
Nyumba Food Services, LLC	11,008	13,031
Details Nashville, LLC	10,045	19,093
Music City Handymen, LLC	8,496	5,407
Nova Birth Services, LLC	7,907	2,652
Total	$78,690	$86,026

The receipts are included either in Revenues and Support or have been reflected as direct reductions to the related expense accounts, depending on the nature of the receipt.

NOTE 10 – CHANGE IN REPORTING PERIOD

The Organization transitioned from calendar-year to fiscal-year accounting as of January 1, 2018. The financial statements report activity for the six months ending on June 30, 2018.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 22, 2019, the date that the financial statements were available to be issued. The Organization has moved arts programs and operations to separate related-party entities. Management expects the Organization's Statement of Activities to be positively impacted by the change.

Global Outreach Developments International
Supplemental Schedule of Income and Expenses
for the Academy for G.O.D.
For the Six Months Ended June 30, 2018

Revenues and Support:	
Contributions & Grants	$ 8,388
Tuition & Fees	155,768
In-Kind Contributions	63,360
Total Revenues and Support	227,516
Expenses:	
Salaries and Benefits	100,857
Program Facilitation	89,054
Facilities	24,911
Information Technology & Software	2,547
Educational Materials	1,593
Repairs and Maintenance	234
Printing & Postage	1,752
Bank & Credit Card Fees	392
Travel	62
Small Educational Equipment	10,760
Depreciation	7,103
Office Expenses	68
Total Expenses	239,333
Change in Net Assets	(11,817)

See Independent Auditor's Report and Notes to the Financial Statements