



THE OPERATION ANDREW GROUP, INC.
Audited Financial Statements
December 31, 2012 and 2011

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Independent Auditor's Report

To the Board of Directors of
The Operation Andrew Group, Inc.

We have audited the accompanying financial statements of The Operation Andrew Group, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years 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 statement 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 financials 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 the 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 Operation Andrew Group, Inc. as of December 31, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in dark ink, appearing to read "Price CPAs", is written over the printed text of the firm's name.

Price CPAs, PLLC
September 26, 2013

THE OPERATION ANDREW GROUP, INC.
Statements of Financial Position
December 31, 2012 and 2011

ASSETS			
		<u>2012</u>	<u>2011</u>
CURRENT ASSETS			
Cash		\$ 118,281	\$ 32,019
PROPERTY AND EQUIPMENT			
Equipment		3,909	3,909
Furniture and fixtures		7,645	6,554
Leasehold improvements		1,318	1,318
Accumulated depreciation		<u>(10,878)</u>	<u>(10,164)</u>
		<u>1,994</u>	<u>1,617</u>
TOTAL ASSETS		<u><u>\$ 120,275</u></u>	<u><u>\$ 33,636</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Payroll taxes payable		\$ 1,973	\$ 1,956
NET ASSETS			
Unrestricted		57,681	14,717
Temporarily Restricted		<u>60,621</u>	<u>16,963</u>
Total net assets		<u>118,302</u>	<u>31,680</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 120,275</u></u>	<u><u>\$ 33,636</u></u>

See Independent Auditor's Report and Notes to Financial Statements

THE OPERATION ANDREW GROUP, INC.
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2012 and 2011

CHANGES IN UNRESTRICTED NET ASSETS	2012	2011
REVENUE		
Contributions	\$ 230,584	\$ 234,215
Net assets released from restrictions	17,514	11,690
Total unrestricted revenues	248,098	245,905
EXPENSES		
Program services		
Salaries	56,415	72,022
Rent	12,711	12,878
Telephone	4,491	4,640
Payroll tax	4,316	5,510
Contract labor	-	240
Insurance	1,098	1,050
Supplies/Postage	770	544
Miscellaneous	904	340
Dues and subscriptions	788	685
Taxes and licenses	258	280
Gifts and flowers	63	190
Employee reimbursements	1,409	1,069
Auto expense	2,026	1,393
Meals and entertainment	1,671	1,484
Board meeting expense	408	481
Depreciation	536	576
Clergy seminars	(42)	-
Honor banquet	4,829	3,778
NAP/GDP	3,445	4,687
Ryman service	-	1,023
Professional fees	8,094	11,363
Office expense	10,494	6,499
Partnership fund	(300)	800
Pastor Leadership Academy	5,833	7,457
Prayer events	3,034	7,357
United 4 Hope	11,653	3,434
Lunch to learn	-	1,257
Total program services	134,904	151,037

See Independent Auditor's Report and Notes to Financial Statements

THE OPERATION ANDREW GROUP, INC.
Statements of Activities and Changes in Net Assets (continued)
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Support services		
Salaries	18,805	24,007
Rent	4,237	4,293
Telephone	1,497	1,547
Payroll tax	1,439	1,837
Contract labor	-	80
Insurance	366	350
Supplies/Postage	257	181
Miscellaneous	297	114
Dues and subscriptions	263	228
Taxes and licenses	86	93
Gifts and flowers	21	63
Employee reimbursements	470	356
Auto expense	675	464
Meals and entertainment	557	495
Board meeting expense	136	160
Depreciation	178	191
Clergy seminars	(14)	-
Honor banquet	1,610	1,259
Ryman service	-	341
Professional fees	2,698	3,788
Office expense	3,498	2,166
	<u>37,076</u>	<u>42,013</u>
Fundraising services	<u>33,154</u>	<u>49,951</u>
Total support services	<u>70,230</u>	<u>91,964</u>
Total expenses	<u>205,134</u>	<u>243,001</u>
Net increase in unrestricted net assets	42,964	2,904
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	61,172	14,998
Net assets released from donor restrictions	<u>(17,514)</u>	<u>(11,690)</u>
Net increase in temporarily restricted net assets	<u>43,658</u>	<u>3,308</u>
Increase in net assets	86,622	6,212
NET ASSETS AT BEGINNING OF YEAR	<u>31,680</u>	<u>25,468</u>
NET ASSETS AT END OF YEAR	<u>\$ 118,302</u>	<u>\$ 31,680</u>

See Independent Auditor's Report and Notes to Financial Statements

THE OPERATION ANDREW GROUP, INC.
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 86,622	\$ 6,212
Adjustments to reconcile increase in net assets to		
Net cash provided by operating activities		
Depreciation	714	767
<i>Change in assets and liabilities:</i>		
Payroll taxes payable	<u>17</u>	<u>(908)</u>
Net cash provided by operating activities	<u>87,353</u>	<u>6,071</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(1,091)</u>	<u>-</u>
Net cash used by investing activities	<u>(1,091)</u>	<u>-</u>
 Net increase in cash	 86,262	 6,071
 Cash at beginning of year	 <u>32,019</u>	 <u>25,948</u>
 Cash at end of year	 <u><u>\$ 118,281</u></u>	 <u><u>\$ 32,019</u></u>

See Independent Auditor's Report and Notes to Financial Statements

THE OPERATION ANDREW GROUP, INC.
Notes to Financial Statements
December 31, 2012 and 2011

Note 1 – Nature of Entity

The Operation Andrew Group, Inc. (the “Organization”) is an organization that seeks to unite believers through hands-on ministries that tear down walls and build connections so that believers may present one loving face of Christ to those who do not know Him. The Organization accomplishes its mission by partnering with churches of varying ethnic and denominational groups. The Organization helps churches go around, above or through whatever separates them to focus on their common mission of showing love and truth to each other and to people in need in their communities.

Note 2 – Summary of Significant Accounting Policies

This summary of significant accounting policies of The Operation Andrew Group, Inc. is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Presentation and Net Assets

The financial statements of The Operation Andrew Group, Inc. are prepared in conformity with the standards promulgated by the Financial Accounting Standards Board in FASB ASC 958-605 (formerly SFAS No. 116), *Accounting for Contributions Received and Contributions Made* and FASB ASC 958-225 (formerly SFAS No. 117), *Financial Statements of Not-for-Profit Organizations*.

The financial statements are prepared in accordance with generally accepted accounting principles promulgated in the United States of America for not-for-profit organizations. The Organization therefore reports information about its financial position and activities using three classes of net assets that recognize the existence and nature of restrictions on its net assets.

Unrestricted net assets represent resources over which the Board of Directors has unlimited discretionary control to carry out the activities of the organization in accordance with the Articles of Incorporation and By-laws. The Board of Directors may designate portions of its unrestricted net assets as board designated for various purposes.

Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the organization or by the passage of time. *See Note 4.*

Permanently restricted net assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently. The Organization currently has no permanently restricted net assets.

Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

THE OPERATION ANDREW GROUP, INC.
Notes to Financial Statements
December 31, 2012 and 2011

Note 2 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash equivalents consist of short-term highly liquid investments that are readily convertible into cash within ninety days of purchase.

Fair Value of Financial Instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

- Current Assets and Liabilities: The carrying values of these items approximate their fair values due to the short maturities of these instruments.

Concentration of Credit Risks

The Organization maintains its cash in bank deposit accounts at regional financial institutions, which at times, may exceed the FDIC limit. The Organization has not experienced any losses in such accounts; therefore management believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Property and Equipment

Property and equipment are carried at cost, or if donated, at the approximate fair value at the date of donation. Depreciation expense for the years ended 2012 and 2011 was \$714 and \$767, respectively. Routine repairs and maintenance are expensed as incurred. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets as follows:

<u>Description</u>	<u>Estimated Useful Life</u>
Equipment	5 years
Furniture and Fixtures	7 years
Leasehold Improvements	2 years

Long-lived assets held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

Donated Materials and Services

Donated services are reported as contributions when the services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing these skills and would typically need to be purchased if not provided by contribution. Donated equipment or materials, if significant, are included in contributions at fair value. Donated services and materials of \$10,791 and \$13,751 have been reflected at fair value in the financial statements for the years ended December 31, 2012 and 2011, respectively. Donated services and materials consist of accounting and auditing.

THE OPERATION ANDREW GROUP, INC.
Notes to Financial Statements
December 31, 2012 and 2011

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Organization has adopted ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, including the position that the Organization continues to qualify to be treated as a tax-exempt entity for both federal and state income tax purposes. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended December 31, 2012, the Organization has no material uncertain tax positions to be accounted for in the financial statements under these rules. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS generally, for three years after they filed. Annual filings with the State of Tennessee are, similarly, subject to examination.

Expense Allocation

Expenses by function have been allocated among program and supporting services classifications on the basis of time records and analysis made by the Organization's management.

Date of Management's Review

Subsequent events have been evaluated through September 26, 2013, which is the date the financial statements were available to be issued.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Note 3 – Line of Credit

The Organization had a line of credit with a bank in the amount of \$25,000. The line of credit accrued interest at the Lender's base rate plus .25%, with a rate floor of 4.25% (4.25% at December 31, 2011). This line of credit matured January 15, 2012 and was not renewed.

THE OPERATION ANDREW GROUP, INC.
Notes to Financial Statements
December 31, 2012 and 2011

Note 4 – Temporarily Restricted Net Assets

As of December 31, 2012, temporarily restricted net assets consist of amounts restricted for use in the following areas:

Partnership Fund	\$ 1,769
Pastor Leadership Academy	6,764
United 4 Hope	<u>52,088</u>
	<u>\$ 60,621</u>

Note 5 – Commitments and Contingencies

Leases

On April 13, 2012, the Organization signed a lease agreement for a new copier. Lease expense totaled \$2,013 for the year ended December 31, 2012. For years ending December 31, future minimum lease payments under such leases are as follows:

Year Ending December 31,	Amount
2013	\$ 3,020
2014	3,020
2015	3,020
2016	3,020
2017	1,132
	<u>\$ 13,212</u>