



THE OPERATION ANDREW GROUP, INC.
Audited Financial Statements
December 31, 2011 and 2010

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Independent Auditor's Report

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

We have audited the accompanying statements of financial position of The Operation Andrew Group, Inc. (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010 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.

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September 11, 2012

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THE OPERATION ANDREW GROUP, INC.
Statements of Financial Position
December 31, 2011 and 2010

ASSETS			
		<u>2011</u>	<u>2010</u>
CURRENT ASSETS			
Cash		\$ 32,019	\$ 25,948
 PROPERTY AND EQUIPMENT			
Equipment		3,909	3,909
Furniture and fixtures		6,554	6,554
Leasehold improvements		1,318	1,318
Accumulated depreciation		<u>(10,164)</u>	<u>(9,397)</u>
		<u>1,617</u>	<u>2,384</u>
 TOTAL ASSETS		 <u><u>\$ 33,636</u></u>	 <u><u>\$ 28,332</u></u>
 LIABILITIES AND NET ASSETS			
 CURRENT LIABILITIES			
Payroll taxes payable		\$ 1,956	\$ 2,864
 NET ASSETS			
Unrestricted		14,717	11,813
Temporarily Restricted		<u>16,963</u>	<u>13,655</u>
Total net assets		<u>31,680</u>	<u>25,468</u>
 TOTAL LIABILITIES AND NET ASSETS		 <u><u>\$ 33,636</u></u>	 <u><u>\$ 28,332</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, 2011 and 2010

CHANGES IN UNRESTRICTED NET ASSETS	2011	2010
REVENUE		
Contributions	\$ 234,215	\$ 259,483
Net assets released from restrictions	11,690	20,180
Total unrestricted revenues	245,905	279,663
EXPENSES		
Program services		
Salaries	72,022	93,683
Rent	12,878	13,470
Telephone	4,640	5,283
Payroll tax	5,510	6,327
Contract labor	240	3,587
Employee benefits	-	(26)
Housing Allowance	-	8,913
Insurance	1,050	1,055
Supplies/Postage	544	695
Miscellaneous	340	1,317
Dues and subscriptions	685	964
Taxes and licenses	280	263
Gifts and flowers	190	97
Employee reimbursements	1,069	1,243
Auto expense	1,393	2,434
Travel	-	887
Meals and entertainment	1,484	2,154
Board meeting expense	481	324
Depreciation	576	875
Honor banquet	3,778	4,857
NAP/GDP	4,687	4,137
Ryman service	1,023	-
Professional fees	11,363	10,377
Office expense	6,499	8,141
Partnership fund	800	15,792
Pastor Leadership Academy	7,457	4,388
Prayer events	7,357	4,626
United 4 Hope	3,434	-
Lunch to learn	1,257	128
Total program services	151,037	195,991

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Support services		
Salaries	24,007	31,228
Rent	4,293	4,490
Telephone	1,547	1,761
Payroll tax	1,837	2,109
Employee benefits	-	(9)
Housing Allowance	-	2,971
Contract labor	80	1,196
Insurance	350	352
Supplies/Postage	181	232
Miscellaneous	114	439
Dues and subscriptions	228	321
Taxes and licenses	93	88
Gifts and flowers	63	32
Employee reimbursements	356	414
Auto expense	464	811
Travel	-	296
Meals and entertainment	495	718
Board meeting expense	160	108
Depreciation	191	292
Honor banquet	1,259	1,619
Ryman service	341	-
Professional fees	3,788	3,459
Office expense	2,166	2,715
	<u>42,013</u>	<u>55,642</u>
Fundraising services	<u>49,951</u>	<u>49,176</u>
Total support services	<u>91,964</u>	<u>104,818</u>
Total expenses	<u>243,001</u>	<u>300,809</u>
Net increase (decrease) in unrestricted net assets	2,904	(21,146)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	14,998	33,835
Net assets released from donor restrictions	<u>(11,690)</u>	<u>(20,180)</u>

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Net increase in temporarily restricted net assets	<u>3,308</u>	<u>13,655</u>
Increase (decrease) in net assets	6,212	(7,491)
NET ASSETS AT BEGINNING OF YEAR	<u>25,468</u>	<u>32,959</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 31,680</u></u>	<u><u>\$ 25,468</u></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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 6,212	\$ (7,491)
Adjustments to reconcile increase (decrease) in net assets to		
Net cash provided (used) by operating activities		
Depreciation	767	1,167
<i>Change in assets and liabilities:</i>		
Payroll taxes payable	(908)	(2,368)
Other current liabilities	-	(2,500)
Net cash provided (used) by operating activities	<u>6,071</u>	<u>(11,192)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>-</u>	<u>(1,772)</u>
Net cash used by investing activities	<u>-</u>	<u>(1,772)</u>
Net increase (decrease) in cash	6,071	(12,964)
Cash at beginning of year	<u>25,948</u>	<u>38,912</u>
Cash at end of year	<u><u>\$ 32,019</u></u>	<u><u>\$ 25,948</u></u>

See Independent Auditor's Report and Notes to Financial Statements

THE OPERATION ANDREW GROUP, INC.
Notes to Financial Statements
December 31, 2011 and 2010

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 3.*

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 are released from restrictions.

THE OPERATION ANDREW GROUP, INC.
Notes to Financial Statements
December 31, 2011 and 2010

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 2011 and 2010 was \$767 and \$1,167, 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

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 \$13,751 and \$14,586 have been reflected at fair value in the financial statements for the years ended December 31, 2011 and 2010, respectively. Donated services and materials consist of accounting and auditing, golf tournament prizes and furniture and fixtures.

THE OPERATION ANDREW GROUP, INC.
Notes to Financial Statements
December 31, 2011 and 2010

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, 2011, the Organization has no material uncertain tax positions to be accounted for in the financial statements under these rules.

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 11, 2012, 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 has a line of credit with a bank in the amount of \$25,000. The line of credit accrues 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 matures January 15, 2012. There have been no draws to date on the line of credit balance as of December 31, 2011.

THE OPERATION ANDREW GROUP, INC.
Notes to Financial Statements
December 31, 2011 and 2010

Note 4 – Temporarily Restricted Net Assets

As of December 31, 2011, temporarily restricted net assets consist of amounts restricted for use in the following areas:

Partnership Fund	\$ 2,119
Pastor Leadership Academy	9,528
United 4 Hope	<u>5,316</u>
	<u>\$ 16,963</u>

Note 5 – Subsequent Events

On April 13, 2012, the Organization signed a lease agreement for a new copier. The copier lease includes monthly payments of \$252 for 61 months. The copier lease will be considered a capital lease.