

Global Outreach Developments International

Financial Statements
December 31, 2013

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McKerley & Noonan, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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 December 31, 2013, and the related statements of activities and changes in net assets, cash flows and functional expenses 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.

(Auditor's report continued on next page)

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 December 31, 2013, 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.

A handwritten signature in black ink, reading "McKerley + Noonan". The signature is written in a cursive, flowing style.

McKerley and Noonan, P.C.
Nashville, Tennessee
June 24, 2014

Global Outreach Development International
Statement of Financial Position
December 31, 2013

Assets

Current Assets:

Cash in Bank	\$ 45,130
Receivables	25,000
Prepaid Expenses	21,245
Total Current Assets	91,375

Fixed Assets:

Land & Buildings	1,155,536
Furniture & Equipment	291,796
Vehicles	87,564
Less: Accumulated Depreciation	(310,247)
Net Fixed Assets	1,224,649

Other Assets

Construction in Progress	8,734
Net Other Assets	8,734

Total Assets	\$ 1,324,758
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Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$ 11,934
Credit cards payable	138,668
Payroll liabilities	17,848
Deferred Itenerant Accomodation Revenue	4,056
Current portion of Notes Payable	56,729
Total current liabilities	229,235

Long-term debt

Notes Payable	577,945
Credit Card Payables	57,246
Total long-term liabilities	635,191

Total Liabilities	864,426
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Net Assets:

Unrestricted Net Assets	382,511
Temporarily restricted net assets	77,821
Total Net Assets	460,332

Total Liabilities and Net Assets	\$ 1,324,758
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Global Outreach Developments Int'l
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support:			
Contributions	\$ 419,850	\$ 316,341	\$ 736,191
Tuition	189,493	-	189,493
Cafeteria	67,737	-	67,737
Itinerant Accomodation Rent	105,297	-	105,297
Service Revenue	128,584	-	128,584
Other Income	48,532	-	48,532
In-Kind Contributions	23,137	-	23,137
Net assets released from Restriction	336,932	(336,932)	-
Total Revenues and Support	<u>1,319,562</u>	<u>(20,591)</u>	<u>1,298,971</u>
Expenses:			
Program Services	860,316	-	860,316
Fundraising	100,801	-	100,801
General and Administrative	318,680	-	318,680
Total Expenses	<u>1,279,797</u>	<u>-</u>	<u>1,279,797</u>
Change in Net Assets	39,765	(20,591)	19,174
Net Assets, Beginning of the Year	<u>342,746</u>	<u>98,412</u>	<u>441,158</u>
Net Assets - End of the Year	<u><u>\$ 382,511</u></u>	<u><u>\$ 77,821</u></u>	<u><u>\$ 460,332</u></u>

Global Outreach Developments Int'l
Statement of Cash Flows
For the Year Ended December 31, 2013

Cash Flows from Operating Activities:

Change in Net Assets \$ 19,174

**Adjustments to Reconcile Change in Net Assets
to Net Cash Provided by Operating Activities:**

Depreciation	82,255
In-Kind Contribution of Fixed Assets	(19,136)
Increase in Receivables	(20,000)
Increase in Prepaid Expenses	(21,245)
Decrease in Due from Related Parties	8,652
Increase in Accounts Payables and Accrued Expenses	11,658
Increase in Credit Card Payables	35,315
Increase in Deferred Revenue	416
Decrease in Payroll Liabilities	(3,842)

Total Adjustments 74,073

Net Cash Provided by Operating Activities 93,247

Cash Flows from Investing Activities

Purchase of Fixed Assets (62,850)

Net Cash Used for Financing Activities (62,850)

Cash Flows from Financing Activities

Proceeds from Notes Payable 73,100

Payments on Notes Payable (131,342)

Net Cash Used for Financing Activities (58,242)

Net Decrease in Cash (27,845)

Cash, Beginning of the Year 72,975

Cash, End of Year \$ 45,130

Supplemental Cash Flow Information:

Interest Paid \$ 47,645

Global Outreach Developments Int'l
Statement of Functional Expenses
For the Year Ended December 31, 2013

	Program Services	General and Administrative	Fundraising	Total
Salaries and Benefits	\$ 193,443	\$ 179,904	\$ 79,469	\$ 452,816
International Team Development	237,650	-	-	237,650
Program Facilitation	119,690	-	-	119,690
Depreciation	68,138	14,117	-	82,255
Travel	37,976	1,908	21,278	61,162
Cafeteria Expense	43,565	-	-	43,565
Utilities	35,446	2,761	-	38,207
Interest Expense	19,873	27,772	-	47,645
Repairs and Maintenance	20,703	8,546	-	29,249
Bank & Credit Card Fees	-	8,004	-	8,004
Professional Services	1,200	18,229	-	19,429
Telephone & Internet	14,395	3,699	-	18,094
Insurance Expense	-	16,633	-	16,633
Coop Support Expense	14,717	-	-	14,717
Taxes & Licenses	-	14,475	-	14,475
Gardens Expense	11,647	-	-	11,647
Barista	12,795	-	-	12,795
Rent Expense	-	9,100	-	9,100
Printing & Postage	-	8,416	-	8,416
Benevolence	6,841	-	-	6,841
Community Services	5,914	-	-	5,914
Development Training School	5,803	-	-	5,803
Other Expenses	1,052	4,866	54	5,972
Destitute Care	3,568	-	-	3,568
3rd World Development	3,470	-	-	3,470
Widow & Orphan	1,833	-	-	1,833
Office Expenses	597	250	-	847
Total Functional Expenses	\$ 860,316	\$ 318,680	\$ 100,801	\$ 1,279,797

Global Outreach Developments International

Notes to Financial Statements
December 31, 2013

NOTE 1 - DESCRIPTION AND PURPOSE OF THE ORGANIZATION

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 operates a development training school for those interested in entering the mission field to serve the poor and marginalized, maintains a band for promoting the organization, operates an elementary school, and organizes missions trips for churches and individuals. Revenues are generated by the training school, band and trips as well as personal and business contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis of accounting which means that revenues are recognized when earned and expenses are recorded when incurred. Significant accounting policies of the Organization are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles 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.

Financial Statement Presentation

For financial statement presentation, the Organization reports its financial information according to three classes of net assets (unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions.

Unrestricted Net Assets

Unrestricted net assets are donations that are not subject to donor-imposed stipulations. Monies received without restriction or released from restriction are generally used to finance the normal day-to-day operations of the Organization.

Temporarily Restricted Net Assets

Temporarily restricted net assets are donations that are subject to donor-imposed

stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a 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. At December 31, 2013, there were \$77,821 of temporarily restricted net assets.

Permanently Restricted Net Assets

Permanently restricted net assets are donations subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2013, there were no permanently restricted net assets.

Accounts Receivable

Accounts receivable represent unpaid tuition and rent for classes and lodging during the year ended December 31, 2013. 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 December 31, 2013.

Fixed Assets

Fixed assets are recorded at cost and are depreciated using the straight-line method based on the following estimated useful lives of the assets.

Building	39 years
Vehicle	5 years
Furniture & Equipment	5 – 7 years

Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

Construction in Progress

The Organization incurred costs for projects which have not been placed in service as of December 31, 2013. The projects consist of various works locally and internationally.

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 Donations of Goods and Services

Donated services that require specialized skills and would be purchased if not provided by the donor are recognized as support and expenses based on the fair value of the services received.

During the year ended December 31, 2013 the Organization's financial statements reflect donations of goods and services valued at \$23,137.

Classification of Expenses

Expenses are classified functionally as a measure of service efforts and accomplishments. Direct expenses, incurred for a single function, are allocated entirely to that function. Joint expenses applicable to more than one function are allocated on the basis of objectively summarized information or management estimates.

Income Taxes

The Organization is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, no provision for federal or state income taxes is applicable.

The Organization has adopted 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. With few exceptions, the Organization is no longer subject to U.S. federal tax examinations by tax authorities for years before 2010. The Organization incurred no interest or penalties during the year ended December 31, 2013.

NOTE 3 – CREDIT RISK

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

NOTE 4 – CONCENTRATIONS

The Organization receives a substantial amount of its support and revenues from the school. Should enrollment in the institution decline, the Organization's operations will be affected.

NOTE 5 – LONG-TERM DEBT

Long-Term Debt consists of the following at December 31, 2013:

A note bearing interest at a rate of 4.75% collateralized by real property and guaranteed by third parties. Monthly principal and interest payments of \$6,269 are due until November of 2016 at which time the remaining balance is due.	\$552,989
A \$4,000 loan payable to an individual bearing zero percent interest. The note was paid off in 2014 as part of the debt consolidation which is more fully described in Note 8.	4,000
A \$60,000 Line of Credit at a bank bearing 5% interest. The note was paid off in 2014 as part of the debt consolidation which is more fully described in Note 8.	52,085
A \$25,000 loan payable to an individual bearing zero percent interest. The note was paid off in 2014 as part of the debt consolidation which is more fully described in Note 8.	12,500
A \$45,000 unsecured note payable bearing zero percent interest. The note was paid off in 2014 as part of the debt consolidation which is more fully described in Note 8.	4,000
A \$9,500 loan payable to an individual bearing zero percent interest. The note was paid off in 2014 as part of the debt consolidation which is more fully described in Note 8.	9,100

Total Notes Payable	634,674
Plus: Credit Cards included in consolidation (see Note 8)	57,246
Less: Current Portion of notes payable	(56,729)
Long-Term Portion	<u>\$635,191</u>

Future principal payments are as follows:

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Thereafter</u>
\$56,729	\$61,781	\$460,346	\$10,287	\$10,794	\$35,254

NOTE 6 – FUNDRAISING

Fundraising expenses primarily relate to a band, *Unnamed Servant*, that plays at venues throughout the United States. A portion of the band's time is used to promote the organization and the band's expenses are allocated accordingly.

NOTE 7 – 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 day to day activities of the Organization. The individuals do not use the credit card for personal use if the card as been designated for use by the Organization. Though the cards are in the name of the individuals, the interest and principal amounts are paid by the Organization.

The Organization's officers own multiple businesses engaged in various services. During the year ended December 31, 2013, the businesses, Music City Handymen and Details Nashville, contributed \$4,642 and \$18,339, respectively, of their profits to the Organization; the contribution is included in Contribution Revenue.

NOTE 8 – SUBSEQUENT EVENTS

On April 17, 2014 the organization consolidated \$139,012 of credit card, line of credit and promissory note debt into a single promissory note guaranteed by third parties and secured by real property bearing interest at 4.75% annually with a maturity date of April 17, 2019. The note calls for regular monthly payments of principal and interest of \$1,938 through April of 2019 with a final balloon payment of the remaining principal balance due at that time. The long term and short term classification of the consolidated debt is presented on the statement of financial position as of December 31, 2013 according to the terms of the new promissory note.

Management has evaluated subsequent events through June 24, 2014, the date that the financial statements were available to be issued.