

Global Outreach Developments International

Financial Statements
December 31, 2017

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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 December 31, 2017, 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.

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, 2017, 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.

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 13 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.

A handwritten signature in blue ink that reads "McKerley + Noonan". The signature is written in a cursive, flowing style.

McKerley and Noonan, P.C.

July 16, 2018

Global Outreach Developments International
Statement of Financial Position
December 31, 2017

Assets

Current Assets:

Cash in Bank	\$ 288,965
Accounts Receivable	99,195
Prepaid Expenses	8,162
Total Current Assets	396,322

Fixed Assets:

Land & Buildings	2,147,437
Furniture & Equipment	341,843
Vehicles	10,200
Less: Accumulated Depreciation	(494,237)
Net Fixed Assets	2,005,243

Other Assets:

Construction in Progress	279,249
Notes Receivable	36,211
Net Other Assets	315,460

Total Assets	\$ 2,717,025
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Liabilities and Net Assets

Current Liabilities:

Accounts Payable and Accrued Expenses	\$ 20,756
Credit Cards Payable	4,150
Deferred Revenue	19,489
Current portion of Notes Payable	64,591
Total Current Liabilities	108,986

Long-term Debt:

Notes Payable	878,063
Loan Origination Fees, Net	(11,830)
Total Long-Term Liabilities	866,233

Total Liabilities	975,219
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Net Assets:

Unrestricted Net Assets	1,603,589
Temporarily Restricted Net Assets	138,217
Total Net Assets	1,741,806

Total Liabilities and Net Assets	\$ 2,717,025
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Global Outreach Developments International
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support:			
Contributions & Grants	\$ 482,703	\$ 456,786	\$ 939,489
Institute and Academy	550,854	-	550,854
Itinerant Accomodation Rent	146,775	-	146,775
Service Revenue	626,965	-	626,965
Other Income	55,481	-	55,481
In-Kind Contributions	687,594	-	687,594
Net Assets Released from Restriction	428,666	(428,666)	-
Total Revenues and Support	<u>2,979,038</u>	<u>28,120</u>	<u>3,007,158</u>
Expenses:			
Program Services	2,165,610	-	2,165,610
Fundraising	12,781	-	12,781
General and Administrative	414,485	-	414,485
Total Expenses	<u>2,592,876</u>	<u>-</u>	<u>2,592,876</u>
Change in Net Assets	386,162	28,120	414,282
Net Assets - Beginning of Year	<u>1,217,427</u>	<u>110,097</u>	<u>1,327,524</u>
Net Assets - End of the Year	<u><u>\$ 1,603,589</u></u>	<u><u>\$ 138,217</u></u>	<u><u>\$ 1,741,806</u></u>

Global Outreach Developments International
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows from Operating Activities:

Change in Net Assets \$ 414,282

Adjustments to Reconcile Change in Net Assets

to Net Cash Provided by Operating Activities:

Depreciation	64,302
Interest Expense Allocated to Debt Issuance Costs	(981)
Gain on Sale of Fixed Assets	(13,834)
Increase in Accounts Receivable	(5,032)
Increase in Notes Receivable	(36,211)
Increase in Prepaid Expenses	(3,045)
Decrease in Accounts Payables and Accrued Expenses	(1,259)
Decrease in Credit Card Payables	(14,071)
Increase in Deferred Revenue	945

Total Adjustments	<u>(9,186)</u>
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Net Cash Provided by Operating Activities	<u>405,096</u>
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Cash Flows from Investing Activities

Purchase of Fixed Assets	(726,898)
Proceeds from Sale of Fixed Assets	<u>47,700</u>

Net Cash Used for Investing Activities	<u>(679,198)</u>
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Cash Flows from Financing Activities

Proceeds from Notes Payable	993,599
Payments on Notes Payable	<u>(902,977)</u>

Net Cash Used for Financing Activities	<u>90,622</u>
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Net Decrease in Cash	(183,480)
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Cash, Beginning of the Year	<u>472,445</u>
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Cash, End of Year	<u><u>\$ 288,965</u></u>
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Supplemental Cash Flow Information:

Interest Paid	\$ 38,238
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Global Outreach Developments International
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	General and Administrative	Fundraising	Total
Salaries and Benefits	\$ 402,281	\$ 202,676	\$ 9,213	\$ 614,170
Program Facilitation	1,039,423	-	-	1,039,423
3rd World Development	329,611	-	-	329,611
Benevolence	95,622	-	-	95,622
Utilities	46,196	46,195	-	92,391
Repairs and Maintenance	36,815	36,815	-	73,630
Depreciation & Amortization	32,151	32,151	-	64,302
Information Technology & Software	61,836	1,257	-	63,093
Interest Expense	24,960	24,959	-	49,919
Rent Expense	15,713	15,712	-	31,425
Professional Services	-	24,692	-	24,692
Other Expenses	4,238	14,849	3,568	22,655
Educational Materials	16,926	1,952	-	18,878
Insurance Expense	13,361	4,942	-	18,303
Telephone & Internet	14,404	-	-	14,404
Travel	9,496	665	-	10,161
Office Expenses	9,725	102	-	9,827
Printing & Postage	7,823	301	-	8,124
Bank & Credit Card Fees	-	7,217	-	7,217
Taxes & Licenses	5,029	-	-	5,029
Total Functional Expenses	\$ 2,165,610	\$ 414,485	\$ 12,781	\$ 2,592,876

Global Outreach Developments International

Notes to Financial Statements

December 31, 2017

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 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.

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.

Change in Accounting Principle

The Organization has adopted the guidance in ASC 835-30-45 on accounting debt issuance costs. Debt issuance costs are no longer being shown as prepaid expenses and are being shown as a direct reduction to the total liability. Debt Issuance costs are disclosed in Note 6. The Organization recorded interest expense related to debt issuance costs of \$11,681 during the year ended December 31, 2017.

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, 2017, there were \$138,217 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, 2017, 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, 2017. 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, 2017.

Fixed Assets

Fixed assets are recorded at cost and are depreciated using straight line and accelerated methods 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, 2017. 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, 2017 the Organization's financial statements reflect donations of goods valued at \$5,589, and donations of services totaling \$682,005. All of the donated services were related to program facilitation.

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. The Organization incurred no interest or penalties during the year ended December 31, 2017.

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 development training school. Should enrollment in the institution decline, the Organization's operations will be affected.

NOTE 5 – NOTES RECEIVABLE

Notes receivable consists of the following at December 31, 2017:

	<u>Principal</u>
A note receivable to a student for tuition, due in full by August 15, 2019.	\$8,711
A four year note receivable on the sale of equipment to a related party bearing interest at 3%.	\$27,500
Total Notes Receivable	<u>\$36,211</u>

NOTE 6 – NOTES PAYABLE

Notes Payable consists of the following at December 31, 2017:

	<u>Principal</u>	<u>Unamortized Debt Issuance Costs</u>
A bank note bearing interest at a rate of 4.60% collateralized by real property and guaranteed by third parties. Monthly principal and interest payments of \$8,811 are due until June of 2024 at which time the remaining balance is due.	\$942,654	\$ 11,830
Total Notes Payable	\$942,654	\$ 11,830
Less: Current Portion of notes payable	(64,591)	
Long-Term Portion	<u>\$878,063</u>	

Future principal payments are as follows:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Thereafter</u>
\$64,591	\$67,668	\$70,893	\$74,271	\$77,810	\$ 587,421

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 has 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, 2017, the Organization received contributions and expense reimbursements from the following related parties:

Conversations, LLC	\$ 383
Details Nashville, LLC	25,542
Hopewell Family Care, PLLC	32,122
Music City Handymen, LLC	17,007
Nova Birth Services, LLC	14,303
Nyumba Food Services, LLC	25,299
Total	<u>\$114,656</u>

The contributions are included in Contribution Revenue and the expense reimbursements have been reflected as direct reductions to the related expense accounts.

The Organization also has the following receivables from related parties at December 31, 2017:

Details Nashville, LLC	\$16,964
Music City Handymen, LLC	15,233
Nyumba Food Services, LLC	5,743
Nova Birth Services, LLC	1,595
Total	<u>\$47,483</u>

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 16, 2018, the date that the financial statements were available to be issued.

**Global Outreach Developments International
Supplemental Schedule of Income and Expenses
for the Academy for G.O.D.
For the Year Ended December 31, 2017**

Revenues and Support:

Contributions & Grants	\$ 1,350
Tuition & Fees	300,266
Other Income	792
In-Kind Contributions	<u>267,050</u>
Total Revenues and Support	<u><u>569,458</u></u>

Expenses:

Salaries and Benefits	131,228
Program Facilitation	207,055
Facilities	49,821
Administrative Costs	26,621
Information Technology & Software	15,128
Communications	7,507
Educational Materials	6,782
Telephone & Internet	4,468
Repairs and Maintenance	3,103
Taxes & Licenses	2,320
Printing & Postage	1,998
Bank & Credit Card Fees	950
Benevolence	450
Travel	356
Professional Services	260
Other Expenses	203
3rd World Development	132
Office Expenses	<u>7</u>
Total Expenses	<u><u>458,389</u></u>

Change in Net Assets	<u><u>111,069</u></u>
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