

**GLOBAL OUTREACH INTERNATIONAL, INC.**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2014 AND 2013**

**GLOBAL OUTREACH INTERNATIONAL, INC.**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Global Outreach International, Inc.  
Pontotoc, Mississippi

We have audited the accompanying financial statements of Global Outreach International, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, 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 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.

### ***Auditors' Responsibility***

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 audits 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 auditors' 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 International, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Eaton, Bobb + Smith*

Tupelo, Mississippi  
July 15, 2015

**AUDITED FINANCIAL STATEMENTS**

**GLOBAL OUTREACH INTERNATIONAL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note 4)	\$ 963,275	\$ 1,456,568
Accrued interest receivable	2,761	1,599
Investments (Notes 2 and 4)	3,317,687	3,456,815
Missionary contract receivable	-	7,000
Prepaid expenses	30,820	31,451
Donated items for missions	2,256	-
<b>Total Current Assets</b>	<b>4,316,799</b>	<b>4,953,433</b>
<b>NONCURRENT ASSETS:</b>		
Marketable equity securities (Notes 2 and 4)	-	11,574
Endowment fund (Notes 2 and 4)	3,407,690	3,168,793
Investment in land	-	53,400
<b>Total Noncurrent Assets</b>	<b>3,407,690</b>	<b>3,233,767</b>
<b>PROPERTY AND EQUIPMENT, NET (Note 3)</b>	<b>965,119</b>	<b>989,064</b>
	<b>\$ 8,689,608</b>	<b>\$ 9,176,264</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 45,130	\$ 7,452
Accrued liabilities	136	12,769
<b>Total Current Liabilities</b>	<b>45,266</b>	<b>20,221</b>
<b>NET ASSETS:</b>		
Unrestricted - undesignated	1,323,373	1,438,293
Unrestricted - designated (Note 4)	3,507,036	3,317,808
Temporarily restricted (Note 4)	3,813,933	4,399,942
<b>Total Net Assets</b>	<b>8,644,342</b>	<b>9,156,043</b>
	<b>\$ 8,689,608</b>	<b>\$ 9,176,264</b>

See accompanying Notes to Financial Statements.

**GLOBAL OUTREACH INTERNATIONAL, INC.**  
**STATEMENTS OF ACTIVITIES**

	Year Ended December 31, 2014		Year Ended December 31, 2013	
	Temporarily		Temporarily	
	Unrestricted	Restricted	Unrestricted	Restricted
<b>SUPPORT AND REVENUES:</b>				
Donations	\$ 609,878	\$ 10,908,892	\$ 11,518,770	\$ 10,996,902
Merchandise sales	189	21,915	418	13,017
Interest and dividends	70,956	-	74,156	-
Other income	4,500	20,153	-	30,000
Net gains on sales of investments	63,361	-	211,801	-
Net unrealized gains on investments	137,337	-	250,610	-
Net gains (losses) on disposal of assets	(174)	-	(174)	-
Net assets released from restrictions:				
Satisfaction of purpose restriction	11,555,457	(11,555,457)	10,622,125	(10,622,125)
<b>Total Support and Revenues</b>	<b>12,441,504</b>	<b>(604,497)</b>	<b>11,837,007</b>	<b>417,794</b>
	<b>11,451,162</b>	<b>-</b>	<b>11,451,162</b>	<b>-</b>
<b>EXPENSES:</b>				
<b>Program Services</b>				
<b>Supporting Services:</b>				
Management and general	894,889	-	915,734	-
Fund-raising	2,657	-	2,952	-
<b>Total Supporting Services</b>	<b>897,546</b>	<b>-</b>	<b>918,686</b>	<b>-</b>
<b>Total Expenses</b>	<b>12,348,708</b>	<b>-</b>	<b>11,569,621</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>92,796</b>	<b>(604,497)</b>	<b>(511,701)</b>	<b>417,794</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>4,756,101</b>	<b>4,399,942</b>	<b>4,355,695</b>	<b>3,982,148</b>
<b>TRANSFERS</b>	<b>(18,488)</b>	<b>18,488</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 4,830,409</b>	<b>\$ 3,813,933</b>	<b>\$ 4,756,101</b>	<b>\$ 4,399,942</b>
				<b>\$ 9,156,043</b>

See accompanying Notes to Financial Statements.

**GLOBAL OUTREACH INTERNATIONAL, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES**

	Year Ended December 31, 2014			Year Ended December 31, 2013			
	Program Services	Supporting Services		Program Services	Supporting Services		
		Management and General	Fund-Raising		Management and General	Fund-Raising	Total
Salaries	\$ 3,390,775	\$ 505,165	\$ -	\$ 3,895,940	\$ 481,821	\$ -	\$ 3,774,143
Payroll taxes and employee benefits	288,634	125,705	-	414,339	117,855	-	384,718
Missionary expense	7,674,598	-	-	7,674,598	-	-	6,987,946
Conferences	-	6,829	-	6,829	9,722	-	9,722
Depreciation	-	58,721	-	58,721	60,659	-	60,659
Insurance	-	27,112	-	27,112	27,122	-	27,122
Investment fees	-	14,471	-	14,471	10,159	-	10,159
Miscellaneous	-	6,285	-	6,285	6,330	-	6,330
Office expense (Note 5)	97,155	63,748	-	160,903	51,490	-	155,294
Professional services	-	34,555	-	34,555	29,180	-	29,180
Promotions	-	-	2,657	2,657	-	2,952	2,952
Repairs and maintenance	-	14,614	-	14,614	20,256	-	20,256
Special missions projects	-	-	-	-	24,344	-	24,344
Supplies	-	839	-	839	2,083	-	2,083
Telephone	-	12,491	-	12,491	12,100	-	12,100
Training	-	353	-	353	9,149	-	9,149
Travel	-	13,109	-	13,109	42,759	-	42,759
Utilities	-	10,892	-	10,892	10,705	-	10,705
	<b>\$ 11,451,162</b>	<b>\$ 894,889</b>	<b>\$ 2,657</b>	<b>\$ 12,348,708</b>	<b>\$ 915,734</b>	<b>\$ 2,952</b>	<b>\$ 11,569,621</b>

See accompanying Notes to Financial Statements.



**GLOBAL OUTREACH INTERNATIONAL, INC.**  
**STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM (USED FOR):</b>		
<b>OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (511,701)	\$ 818,200
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	58,721	60,659
Net gains on sales of investments	(63,361)	(211,801)
Net unrealized gains on investments	(137,337)	(250,610)
Net (gain) loss on disposal of assets	174	(271)
Donated investments	(11,958)	(60,661)
Donated equipment	-	(4,000)
(Increase) decrease in:		
Donated items for missions	(2,256)	-
Accrued interest receivable	(1,162)	932
Prepaid expenses	631	39,817
Increase (decrease) in:		
Accounts payable	37,678	2,050
Accrued liabilities	(12,633)	(46)
	<b>(643,204)</b>	<b>394,269</b>
<b>INVESTING ACTIVITIES:</b>		
Short-term investments, net	152,065	(17,732)
Proceeds from sale of investments	27,052	39,052
Proceeds from sale of equipment	-	2,500
Reinvested net investment income - endowment	(46,109)	(44,860)
Endowment fund withdrawals	44,853	44,909
Collections of contract receivable	7,000	13,000
Capital expenditures	(34,950)	(8,580)
	<b>149,911</b>	<b>28,289</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(493,293)</b>	<b>422,558</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,456,568</b>	<b>1,034,010</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 963,275</b>	<b>\$ 1,456,568</b>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Non-cash transactions:		
Donated items for missions and mission costs	\$ 17,413	\$ 8,832
Inventory items used and mission costs	\$ (15,157)	\$ (8,832)

See accompanying Notes to Financial Statements.

# GLOBAL OUTREACH INTERNATIONAL, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Activities**

Global Outreach International, Inc. (the Organization) is a nonprofit corporation formed to provide opportunities to and support for Christian missionaries providing evangelism, discipleship, and compassion ministries to people in forty countries around the world.

#### **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **Revenue Recognition**

The Organization receives donations from individuals, churches, and groups across the United States to support its missionaries and to fund its administrative costs. Donations restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Investment income, including realized and unrealized gains and losses, are reported as increases or decreases in unrestricted net assets unless a donor places temporary or permanent restrictions on the income's use. Investment income with donor restrictions is recorded in temporarily or permanently restricted net assets based on the nature of the restrictions. No restricted investment income was recorded in 2014 or 2013.

Contributions of assets other than cash are recorded at their estimated fair value on the date of donation. Contributions of services are recognized only if they 1) create or enhance nonfinancial assets or 2) require specialized skills or are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. These services are recorded at their fair values in the period received. No such services were received by the Organization in 2014 or 2013.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits and cash held in investment accounts.

#### **Investments**

Investments in mutual funds, equity securities, government securities, and certificates of deposit are stated at fair values based on quoted prices in active markets. The investment in land is recorded at its estimated fair value on the date of donation to the Organization.

## **NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Property and Equipment**

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated fair values on the date of donation. The Organization capitalizes property and equipment with a cost, or value if donated, of \$1,000 or more. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets which range from three to twenty-eight years.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates are used when accounting for noncash donations, realizability of receivables, and depreciation. Accordingly, actual results could differ from those estimates.

### **Income Tax Status**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, that remain subject to examination include the returns for 2011, 2012, and 2013.

### **Concentration of Credit Risk**

The Organization maintains cash balances with a bank and two security brokerage firms and invests in certificates of deposit with various banks. The balances, at times, may exceed federally insured limits. At December 31, 2014 and 2013, the balance in one demand deposit account and one brokerage cash account were in excess of FDIC insurance limits by \$450,889 and \$944,188, respectively.

### **Reclassifications**

Certain reclassifications were made to the 2013 financial statements in order to conform to the 2014 method of presentation.

### **Date of Management Evaluation**

Management has evaluated subsequent events through July 15, 2015, the date on which the financial statements were available to be issued.

## NOTE 2 – INVESTMENTS IN MARKETABLE SECURITIES

Investments in marketable securities as of December 31, 2014 and 2013 are summarized as follows:

	December 31, 2014		December 31, 2013	
	Cost	Fair Value	Cost	Fair Value
Short-term certificates of deposit	\$ 3,318,000	\$ 3,316,649	\$ 3,282,024	\$ 3,281,067
Mutual funds	1,038	1,038	152,045	175,748
Current	<u>3,319,038</u>	<u>3,317,687</u>	<u>3,434,069</u>	<u>3,456,815</u>
Marketable equity securities	<u>-</u>	<u>-</u>	<u>62,799</u>	<u>11,574</u>
Endowment fund:				
Cash and cash equivalents	37,446	37,446	50,368	50,368
Mutual funds	1,325,969	1,329,310	1,284,632	1,296,440
Marketable equity securities	<u>1,576,274</u>	<u>2,040,934</u>	<u>1,592,109</u>	<u>1,821,985</u>
	<u>2,939,689</u>	<u>3,407,690</u>	<u>2,927,109</u>	<u>3,168,793</u>
Noncurrent	<u>2,939,689</u>	<u>3,407,690</u>	<u>2,989,908</u>	<u>3,180,367</u>
	<u>\$ 6,258,727</u>	<u>\$ 6,725,377</u>	<u>\$ 6,423,977</u>	<u>\$ 6,637,182</u>

## NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of:

	December 31,	
	2014	2013
Land	\$ 140,075	\$ 140,075
Building and improvements	840,522	840,522
Duplexes	195,614	161,724
Furniture and fixtures - duplexes	44,976	44,976
Office furniture and equipment	98,674	151,790
Equipment	<u>11,000</u>	<u>11,000</u>
	<u>1,330,861</u>	<u>1,350,087</u>
Less accumulated depreciation	<u>365,742</u>	<u>361,023</u>
	<u>\$ 965,119</u>	<u>\$ 989,064</u>

#### NOTE 4 – NET ASSETS

Unrestricted net assets designated by the Board of Directors of the Organization consist of cash and investments to be used for the following purposes:

	December 31,	
	2014	2013
Missions/Home office projects	\$ -	\$ 24,681
Special mission projects	99,346	117,334
Ecuador missions	-	7,000
Endowment fund	<u>3,407,690</u>	<u>3,168,793</u>
	<u>\$ 3,507,036</u>	<u>\$ 3,317,808</u>

A perpetual endowment fund was established by the Board of Directors after the merger of the Organization with Global Outreach Foundation (GOF), a nonprofit corporation which was originally created to hold endowment funds for the Organization. Since the endowment fund resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The endowment fund is managed by investment account advisors under the direction of the Organization. The Organization's investment objectives are to maximize capital appreciation with a conservative risk profile. Up to eighty-five percent of the net income of the endowment may be used for the operating, administrative, and capital expenses of the Organization, and the remaining earnings will be added to the corpus of the fund.

The endowment fund transactions for 2014 and 2013 are summarized below.

	Years Ended December 31,	
	2014	2013
Endowment fund, beginning of year	\$ 3,168,793	\$ 2,717,045
Interest and dividends	60,580	55,019
Net gain on sales of investments	101,826	213,801
Net unrealized gain on investments	135,815	237,996
Investment fees	(14,471)	(10,159)
Appropriated for expenditure	<u>(44,853)</u>	<u>(44,909)</u>
Endowment fund, end of year	<u>\$ 3,407,690</u>	<u>\$ 3,168,793</u>

Temporarily restricted net assets consist of cash and investments to be used for missions. Temporarily restricted assets totaled \$3,813,933 and \$4,399,942 in 2014 and 2013, respectively.

**NOTE 5 – OPERATING LEASES**

The Organization leases office equipment under non-cancelable operating leases which require monthly lease payments totaling \$612. The leases expire in 2016 and 2017. Future minimum lease payments are:

2015	\$	7,348
2016		4,259
2017		<u>390</u>
	\$	<u><u>11,997</u></u>

Total lease expense of \$15,414 for 2014 and \$18,517 for 2013 is included in office expense.

**NOTE 6 – RETIREMENT PLAN**

In 2010, the Organization established a Section 401(k) plan whereby the Organization matches employee contributions up to 5% of compensation. Employer retirement contributions were \$79,974 in 2014 and \$65,998 in 2013.

**NOTE 7 – RELATED PARTY TRANSACTIONS**

Certain members of the board of directors of the Organization also served as missionaries. Donations and missionary expense for these directors are included in the Statements of Activities as follows:

	<u>Years Ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Temporarily restricted donations and other income	\$ 530,130	\$ 791,881
Program Services	\$ 347,425	\$ 931,157

## NOTE 8 – FAIR VALUE MEASUREMENTS

The following table presents the Organization's fair value hierarchy for the financial assets measured at fair value on a recurring basis:

	December 31, 2014		December 31, 2013	
	Quoted Prices In Active Markets For Identical Assets		Quoted Prices In Active Markets For Identical Assets	
	Fair Value	(Level 1)	Fair Value	(Level 1)
Short-term investments	\$ 3,317,687	\$ 3,317,687	\$ 3,456,815	\$ 3,456,815
Marketable equity securities	\$ -	\$ -	\$ 11,574	\$ 11,574
Endowment fund securities	\$ 3,407,690	\$ 3,407,690	\$ 3,168,793	\$ 3,168,793