

GLOBAL OUTREACH INTERNATIONAL, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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, 2015 and 2014, 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, 2015 and 2014, 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, Babb + Smith

Tupelo, Mississippi
July 29, 2016

AUDITED FINANCIAL STATEMENTS

GLOBAL OUTREACH INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION

	ASSETS	
	December 31,	
	2015	2014
CURRENT ASSETS:		
Cash and cash equivalents (Note 4)	\$ 890,664	\$ 963,275
Accrued interest receivable	678	2,761
Marketable securities (Notes 2 and 4)	3,491,259	3,317,687
Donated items for missions	-	2,256
Prepaid expenses	22,207	30,820
Total Current Assets	4,404,808	4,316,799
NONCURRENT ASSETS:		
Endowment fund (Notes 2 and 4)	3,414,593	3,407,690
PROPERTY AND EQUIPMENT, NET (Note 3)	912,790	965,119
	\$ 8,732,191	\$ 8,689,608
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 22,593	\$ 45,130
Accrued liabilities	115	136
Total Current Liabilities	22,708	45,266
NET ASSETS:		
Unrestricted - undesignated	1,248,647	1,323,373
Unrestricted - designated (Note 4)	3,488,938	3,507,036
Temporarily restricted (Note 4)	3,971,898	3,813,933
Total Net Assets	8,709,483	8,644,342
	\$ 8,732,191	\$ 8,689,608

See accompanying Notes to Financial Statements.

GLOBAL OUTREACH INTERNATIONAL, INC.
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2015		Year Ended December 31, 2014	
	Temporarily Restricted		Temporarily Restricted	
	Unrestricted	Total	Unrestricted	Total
SUPPORT AND REVENUES:				
Donations	\$ 661,570	\$ 11,851,367	\$ 609,878	\$ 11,518,770
Merchandise sales	299	64,354	189	22,104
Interest and dividends	77,811	77,811	70,956	70,956
Other income	912	7,910	4,500	24,653
Net gains on sales of investments	100,695	100,695	63,361	63,361
Net unrealized gains (losses) on investments	(108,526)	(108,526)	137,337	137,337
Net loss on disposal of assets	-	-	(174)	(174)
Net assets released from restrictions:				
Satisfaction of purpose restrictions	11,102,885	-	11,555,457	-
Total Support and Revenues	11,835,646	11,993,611	12,441,504	11,837,007
EXPENSES:				
Program Services	11,155,117	11,155,117	11,451,162	11,451,162
Supporting Services:				
Management and general	768,375	768,375	894,889	894,889
Fund-raising	4,978	4,978	2,657	2,657
Total Supporting Services	773,353	773,353	897,546	897,546
Total Expenses	11,928,470	11,928,470	12,348,708	12,348,708
CHANGE IN NET ASSETS	(92,824)	65,141	92,796	(511,701)
NET ASSETS, BEGINNING OF YEAR	4,830,409	8,644,342	4,756,101	9,156,043
TRANSFERS	-	-	(18,488)	-
NET ASSETS, END OF YEAR	\$ 4,737,585	\$ 8,709,483	\$ 4,830,409	\$ 8,644,342

See accompanying Notes to Financial Statements.

GLOBAL OUTREACH INTERNATIONAL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2015			Year Ended December 31, 2014			
	Program Services	Supporting Services		Program Services	Supporting Services		
		Management and General	Fund-Raising		Management and General	Fund-Raising	Total
Salaries	\$ 3,523,691	\$ 363,752	\$ -	\$ 3,887,443	\$ 505,165	\$ -	\$ 3,895,940
Payroll taxes and employee benefits	308,819	101,390	-	410,209	125,705	-	414,339
Missionary expense	7,243,727	4,595	-	7,248,322	-	-	7,674,598
Conferences	-	10,960	-	10,960	6,829	-	6,829
Depreciation	-	58,845	-	58,845	58,721	-	58,721
Insurance	-	28,671	-	28,671	27,112	-	27,112
Investment fees	-	15,314	-	15,314	14,471	-	14,471
Miscellaneous	-	9,617	-	9,617	6,638	-	6,638
Office expense	78,880	71,243	-	150,123	63,748	-	160,903
Professional services	-	32,175	-	32,175	34,555	-	34,555
Promotions	-	-	4,978	4,978	-	2,657	2,657
Repairs and maintenance	-	17,844	-	17,844	14,614	-	14,614
Supplies	-	959	-	959	839	-	839
Telephone	-	22,353	-	22,353	12,491	-	12,491
Travel	-	20,255	-	20,255	13,109	-	13,109
Utilities	-	10,402	-	10,402	10,892	-	10,892
Total Expenses	\$ 11,155,117	\$ 768,375	\$ 4,978	\$ 11,928,470	\$ 894,889	\$ 2,657	\$ 12,348,708

See accompanying Notes to Financial Statements.

GLOBAL OUTREACH INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS

CASH FLOWS FROM (USED FOR):	Years Ended December 31,	
	2015	2014
OPERATING ACTIVITIES:		
Change in net assets	\$ 65,141	\$ (511,701)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	58,845	58,721
Net gains on sales of investments	(100,695)	(63,361)
Net unrealized (gains) losses on investments	108,526	(137,337)
Net loss on disposal of assets	-	174
Donated investments	(18,122)	(11,958)
(Increase) decrease in:		
Accrued interest receivable	2,083	(1,162)
Donated items for missions	2,256	(2,256)
Prepaid expenses	8,613	631
Increase (decrease) in:		
Accounts payable	(22,537)	37,678
Accrued liabilities	(21)	(12,633)
	104,089	(643,204)
Net Cash From (Used for) Operating Activities		
INVESTING ACTIVITIES:		
Short-term investments, net	(170,429)	152,065
Proceeds from sale of investments	14,231	27,052
Reinvested net investment income - endowment	(52,305)	(46,109)
Endowment fund withdrawals	38,319	44,853
Collections of contract receivable	-	7,000
Capital expenditures	(6,516)	(34,950)
	(176,700)	149,911
Net Cash From (Used For) Investing Activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(72,611)	(493,293)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	963,275	1,456,568
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 890,664	\$ 963,275
SUPPLEMENTAL DISCLOSURES:		
Non-cash transactions:		
In-kind donations for missions and mission costs	\$ 17,197	\$ 17,413
Inventory items used and mission costs	\$ (19,453)	\$ (15,157)
Donated investments	\$ 18,122	\$ 11,958

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-six 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 2015 or 2014.

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 2015 or 2014.

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.

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 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).

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, 2015 and 2014, the balance in one demand deposit account and one brokerage cash account were in excess of FDIC insurance limits by \$437,277 and \$450,889, respectively.

Date of Management Evaluation

Management has evaluated subsequent events through July 29, 2016, 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, 2015 and 2014 are summarized as follows:

	December 31, 2015		December 31, 2014	
	Cost	Fair Value	Cost	Fair Value
Current:				
Fixed income securities	\$ 3,490,944	\$ 3,488,783	\$ 3,318,000	\$ 3,316,649
Equity securities	1,658	2,476	1,038	1,038
	<u>3,492,602</u>	<u>3,491,259</u>	<u>3,319,038</u>	<u>3,317,687</u>
Endowment fund:				
Cash and cash equivalents	53,965	53,965	37,446	37,446
Fixed income securities	1,059,560	1,042,410	1,325,969	1,329,310
Equity securities	1,935,422	2,318,218	1,576,274	2,040,934
	<u>3,048,947</u>	<u>3,414,593</u>	<u>2,939,689</u>	<u>3,407,690</u>
	<u>\$ 6,541,549</u>	<u>\$ 6,905,852</u>	<u>\$ 6,258,727</u>	<u>\$ 6,725,377</u>

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value of the Organization's marketable securities was determined by Level 1 inputs, which consist of unadjusted quoted prices in active markets for identical assets.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of:

	December 31,	
	2015	2014
Land	\$ 140,075	\$ 140,075
Building and improvements	840,522	840,522
Duplexes	195,614	195,614
Furniture and fixtures - duplexes	44,976	44,976
Office furniture and equipment	105,190	98,674
Equipment	11,000	11,000
	<u>1,337,377</u>	<u>1,330,861</u>
Less accumulated depreciation	<u>424,587</u>	<u>365,742</u>
	<u>\$ 912,790</u>	<u>\$ 965,119</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:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Special mission projects	\$ 74,345	\$ 99,346
Endowment fund	<u>3,414,593</u>	<u>3,407,690</u>
	<u>\$ 3,488,938</u>	<u>\$ 3,507,036</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 are added to the corpus of the fund.

The endowment fund transactions for 2015 and 2014 are summarized below.

	<u>Years Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Endowment fund, beginning of year	\$ 3,407,690	\$ 3,168,793
Interest and dividends	67,619	60,580
Net gain on sales of investments	100,822	101,826
Net unrealized gain on investments	(107,905)	135,815
Investment fees	(15,314)	(14,471)
Appropriated for expenditure	<u>(38,319)</u>	<u>(44,853)</u>
Endowment fund, end of year	<u>\$ 3,414,593</u>	<u>\$ 3,407,690</u>

Temporarily restricted net assets consist of cash and investments to be used for missions. Temporarily restricted assets totaled \$3,971,898 and \$3,813,933 in 2015 and 2014, respectively.

NOTE 5 – OPERATING LEASES

The Organization leases office equipment under non-cancelable operating leases which require monthly lease payments totaling \$1,618. The leases expire in 2016 and 2017. Future minimum lease payments are:

2016	\$	19,419
2017		14,656
2018		6,300
2019		6,300
2020		6,300
2021		<u>1,050</u>
	\$	<u>54,025</u>

Total lease expense of \$19,309 for 2015 and \$15,414 for 2014 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 \$76,291 in 2015 and \$79,974 in 2014.

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>2015</u>	<u>2014</u>
Temporarily restricted donations and other income	\$ 59,051	\$ 530,130
Program services	\$ 109,801	\$ 347,425