

**GLOBAL OUTREACH INTERNATIONAL, INC.**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**GLOBAL OUTREACH INTERNATIONAL, INC.**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**CONTENTS**

	<u>Page</u>
Independent Auditors' Report	3
Audited Financial Statements:	
Statements of Financial Position	6
Statements of Activities	7
Statements of Functional Expenses	8
Statements of Cash Flows	9
Notes to Financial Statements	10

## **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, 2016 and 2015, 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, 2016 and 2015, 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 17, 2017

**AUDITED FINANCIAL STATEMENTS**

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

**ASSETS**

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note 4)	\$ 1,747,360	\$ 890,664
Accrued interest receivable	7,623	678
Marketable securities (Notes 2 and 4)	3,268,586	3,491,259
Prepaid expenses	15,539	22,207
<b>Total Current Assets</b>	<b>5,039,108</b>	<b>4,404,808</b>
<b>NONCURRENT ASSETS:</b>		
Endowment fund (Notes 2 and 4)	3,625,055	3,414,593
<b>PROPERTY AND EQUIPMENT, NET (Note 3)</b>	<b>895,160</b>	<b>912,790</b>
	<b>\$ 9,559,323</b>	<b>\$ 8,732,191</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 56,205	\$ 22,708
<b>NET ASSETS:</b>		
Unrestricted - undesignated	1,140,741	1,248,647
Unrestricted - designated (Note 4)	3,625,055	3,488,938
Temporarily restricted (Note 4)	4,737,322	3,971,898
<b>Total Net Assets</b>	<b>9,503,118</b>	<b>8,709,483</b>
	<b>\$ 9,559,323</b>	<b>\$ 8,732,191</b>

See accompanying Notes to Financial Statements.

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

	Year Ended December 31, 2016		Year Ended December 31, 2015	
	Temporarily		Temporarily	
	Unrestricted	Restricted	Unrestricted	Restricted
<b>SUPPORT AND REVENUES:</b>				
Donations	\$ 578,964	\$ 11,784,227	\$ 12,363,191	\$ 661,570
Leadership training fees	73,226	-	73,226	-
Merchandise sales	6,024	75,531	81,555	299
Interest and dividends	101,220	-	101,220	77,811
Other income	153	1,903	2,056	912
Net gains on sales of investments	8,860	-	8,860	100,695
Net unrealized gains (losses) on investments	208,852	-	208,852	(108,526)
Net assets released from restrictions:				
Satisfaction of purpose restrictions	11,170,582	(11,170,582)	-	11,102,885
<b>Total Support and Revenues</b>	<b>12,147,881</b>	<b>691,079</b>	<b>12,838,960</b>	<b>11,835,646</b>
<b>EXPENSES:</b>				
<b>Program Services</b>	<b>11,143,308</b>	<b>-</b>	<b>11,143,308</b>	<b>-</b>
<b>Supporting Services:</b>				
Management and general	874,767	-	874,767	768,375
Fund-raising	27,250	-	27,250	4,978
<b>Total Supporting Services</b>	<b>902,017</b>	<b>-</b>	<b>902,017</b>	<b>773,353</b>
<b>Total Expenses</b>	<b>12,045,325</b>	<b>-</b>	<b>12,045,325</b>	<b>11,928,470</b>
<b>CHANGE IN NET ASSETS</b>	<b>102,556</b>	<b>691,079</b>	<b>793,635</b>	<b>(92,824)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>4,737,585</b>	<b>3,971,898</b>	<b>8,709,483</b>	<b>4,830,409</b>
<b>TRANSFERS</b>	<b>(74,345)</b>	<b>74,345</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 4,765,796</b>	<b>\$ 4,737,322</b>	<b>\$ 9,503,118</b>	<b>\$ 4,737,585</b>
				<b>\$ 3,971,898</b>
				<b>\$ 8,709,483</b>

See accompanying Notes to Financial Statements.

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

	Year Ended December 31, 2016			Year Ended December 31, 2015			
	Program Services	Supporting Services		Program Services	Supporting Services		
		Management and General	Fund-Raising		Management and General	Fund-Raising	Total
Salaries	\$ 3,610,848	\$ 451,347	\$ -	\$ 3,523,691	\$ 363,752	\$ -	\$ 3,887,443
Payroll taxes and employee benefits	301,851	99,337	-	308,819	101,390	-	410,209
Missionary expense	7,156,213	3,792	-	7,243,727	4,595	-	7,248,322
Conferences	-	4,634	-	-	10,960	-	10,960
Depreciation	-	56,407	-	-	58,845	-	58,845
Insurance	-	28,287	-	-	28,671	-	28,671
Investment fees	-	15,653	-	-	15,314	-	15,314
Leadership training expense	-	-	20,634	-	-	-	-
Miscellaneous	-	3,850	-	-	3,750	-	3,750
Office expense	74,396	80,564	-	78,880	75,030	-	153,910
Professional services	-	31,556	-	-	32,175	-	32,175
Promotions	-	-	6,616	-	-	4,978	4,978
Repairs and maintenance	-	19,251	-	-	17,844	-	17,844
Supplies	-	811	-	-	959	-	959
Telephone	-	19,225	-	-	22,353	-	22,353
Training	-	5,531	-	-	2,080	-	2,080
Travel	-	42,542	-	-	20,255	-	20,255
Utilities	-	11,980	-	-	10,402	-	10,402
<b>Total Expenses</b>	<b>\$ 11,143,308</b>	<b>\$ 874,767</b>	<b>\$ 27,250</b>	<b>\$ 11,155,117</b>	<b>\$ 768,375</b>	<b>\$ 4,978</b>	<b>\$ 11,928,470</b>

See accompanying Notes to Financial Statements.



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

<b>CASH FLOWS FROM (USED FOR):</b>	<b>Years Ended December 31,</b>	
<b>OPERATING ACTIVITIES:</b>	<b>2016</b>	<b>2015</b>
Change in net assets	\$ 793,635	\$ 65,141
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	56,407	58,845
Net gains on sales of investments	(8,860)	(100,695)
Net unrealized (gains) losses on investments	(208,852)	108,526
Donated investments	(18,719)	(18,122)
(Increase) decrease in:		
Accrued interest receivable	(6,945)	2,083
Donated items for missions	-	2,256
Prepaid expenses	(6,668)	8,613
Increase (decrease) in:		
Accounts payable and accrued liabilities	33,497	(22,558)
<b>Net Cash From Operating Activities</b>	<b>633,495</b>	<b>104,089</b>
<b>INVESTING ACTIVITIES:</b>		
Short-term investments, net	232,416	(170,429)
Proceeds from sale of investments	18,945	14,231
Reinvested net investment income - endowment	(60,106)	(52,305)
Endowment fund withdrawals	70,723	38,319
Capital expenditures	(38,777)	(6,516)
<b>Net Cash From (Used For) Investing Activities</b>	<b>223,201</b>	<b>(176,700)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>856,696</b>	<b>(72,611)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>890,664</b>	<b>963,275</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,747,360</b>	<b>\$ 890,664</b>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Non-cash transactions:		
In-kind donations for missions and mission costs	\$ 22,380	\$ 17,197
Inventory items used and mission costs	\$ (22,380)	\$ (19,453)
Donated investments	\$ 18,719	\$ 18,122

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-nine 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 2016 or 2015.

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 2016 or 2015.

#### **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, 2016 and 2015, cash in excess of FDIC insurance limits was \$836,824 and \$437,277, respectively.

**Date of Management Evaluation**

Management has evaluated subsequent events through July 17, 2017, 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, 2016 and 2015 are summarized as follows:

	December 31, 2016		December 31, 2015	
	Cost	Fair Value	Cost	Fair Value
Current:				
Fixed income securities	\$ 3,270,000	\$ 3,266,551	\$ 3,490,944	\$ 3,488,783
Equity securities	2,000	2,035	1,658	2,476
	<u>3,272,000</u>	<u>3,268,586</u>	<u>3,492,602</u>	<u>3,491,259</u>
Endowment fund:				
Cash and cash equivalents	38,708	38,708	53,965	53,965
Fixed income securities	1,077,572	1,069,158	1,059,560	1,042,410
Equity securities	<u>1,928,566</u>	<u>2,517,189</u>	<u>1,935,422</u>	<u>2,318,218</u>
	<u>3,044,846</u>	<u>3,625,055</u>	<u>3,048,947</u>	<u>3,414,593</u>
	<u>\$ 6,316,846</u>	<u>\$ 6,893,641</u>	<u>\$ 6,541,549</u>	<u>\$ 6,905,852</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,	
	2016	2015
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	105,190
Equipment	11,000	11,000
Software in progress	38,777	-
	<u>1,376,154</u>	<u>1,337,377</u>
Less accumulated depreciation	<u>480,994</u>	<u>424,587</u>
	<u>\$ 895,160</u>	<u>\$ 912,790</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,	
	2016	2015
Special mission projects	\$ -	\$ 74,345
Endowment fund	3,625,055	3,414,593
	<u>\$ 3,625,055</u>	<u>\$ 3,488,938</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 2016 and 2015 are summarized below.

	Years Ended December 31,	
	2016	2015
Endowment fund, beginning of year	\$ 3,414,593	\$ 3,407,690
Interest and dividends	75,759	67,619
Net gain on sales of investments	8,779	100,822
Net unrealized gain (loss) on investments	212,300	(107,905)
Investment fees	(15,653)	(15,314)
Appropriated for expenditure	<u>(70,723)</u>	<u>(38,319)</u>
Endowment fund, end of year	<u>\$ 3,625,055</u>	<u>\$ 3,414,593</u>

Temporarily restricted net assets consist of cash and investments to be used for missions and for the purchase of certain software. Temporarily restricted net assets totaled \$4,737,322 and \$3,971,898 at December 31, 2016 and 2015, respectively.

#### NOTE 5 – OPERATING LEASES

The Organization leases office equipment under non-cancelable operating leases which require monthly lease payments totaling \$1,960. The leases expire in 2021. Future minimum lease payments are:

2017	\$	23,514
2018		23,514
2019		23,514
2020		23,514
2021		<u>11,617</u>
	\$	<u>105,673</u>

Total lease expense of \$21,125 for 2016 and \$19,309 for 2015 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 \$68,821 in 2016 and \$76,291 in 2015.

#### 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>2016</u>	<u>2015</u>
Temporarily restricted donations and other income	\$ 150,329	\$ 59,051
Program services expense	\$ 169,305	\$ 109,801