

**GLOBAL OUTREACH INTERNATIONAL, INC.
AND SUBSIDIARY**

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Global Outreach International, Inc., and Subsidiary (a nonprofit organization) which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Global Outreach International, Inc. and Subsidiary as of December 31, 2017 and 2016, 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 25, 2018

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

GLOBAL OUTREACH INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2017	2016
CURRENT ASSETS:		
Cash and cash equivalents (Note 4)	\$ 1,118,668	\$ 1,747,360
Accounts receivable	26,417	-
Accrued interest receivable	4,181	7,623
Marketable securities (Notes 2 and 4)	3,683,994	3,268,586
Prepaid expenses	28,674	15,539
Total Current Assets	4,861,934	5,039,108
NONCURRENT ASSETS:		
Endowment fund (Notes 2 and 4)	4,012,941	3,625,055
PROPERTY AND EQUIPMENT, NET (Note 3)	921,328	895,160
	\$ 9,796,203	\$ 9,559,323

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 28,804	\$ 56,163
Accrued liabilities	16,020	42
Total Current Liabilities	44,824	56,205
NET ASSETS:		
Unrestricted - undesignated	1,223,703	1,140,741
Unrestricted - designated (Note 4)	4,012,941	3,625,055
Temporarily restricted (Note 4)	4,514,735	4,737,322
Total Net Assets	9,751,379	9,503,118
	\$ 9,796,203	\$ 9,559,323

See accompanying Notes to Consolidated Financial Statements.

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

	<u>Year Ended December 31, 2017</u>			<u>Year Ended December 31, 2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES:						
Donations	\$ 712,219	\$ 12,832,479	\$ 13,544,698	\$ 578,964	\$ 11,784,227	\$ 12,363,191
Leadership training fees	198,373	-	198,373	73,226	-	73,226
Interest and dividends	110,142	-	110,142	101,220	-	101,220
Other income	200	25,531	25,731	6,177	77,434	83,611
Net gains on sales of investments	8,128	-	8,128	8,860	-	8,860
Net unrealized gains on investments	377,913	-	377,913	208,852	-	208,852
Net assets released from restrictions:						
Satisfaction of purpose restrictions	13,012,058	(13,012,058)	-	11,170,582	(11,170,582)	-
Total Support and Revenues	14,419,033	(154,048)	14,264,985	12,147,881	691,079	12,838,960
EXPENSES:						
Program Services	13,006,525	-	13,006,525	11,143,308	-	11,143,308
Supporting Services:						
Management and general	1,005,856	-	1,005,856	895,401	-	895,401
Fund-raising	4,343	-	4,343	6,616	-	6,616
Total Supporting Services	1,010,199	-	1,010,199	902,017	-	902,017
Total Expenses	14,016,724	-	14,016,724	12,045,325	-	12,045,325
CHANGE IN NET ASSETS	402,309	(154,048)	248,261	102,556	691,079	793,635
NET ASSETS, BEGINNING OF YEAR	4,765,796	4,737,322	9,503,118	4,737,585	3,971,898	8,709,483
TRANSFERS	68,539	(68,539)	-	(74,345)	74,345	-
NET ASSETS, END OF YEAR	\$ 5,236,644	\$ 4,514,735	\$ 9,751,379	\$ 4,765,796	\$ 4,737,322	\$ 9,503,118

See accompanying Notes to Consolidated Financial Statements.

GLOBAL OUTREACH INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2017				Year Ended December 31, 2016			
	Program Services	Supporting Services			Program Services	Supporting Services		
		Management and General	Fund-Raising	Total		Management and General	Fund-Raising	Total
Salaries	\$ 4,305,929	\$ 489,628	\$ -	\$ 4,795,557	\$ 3,610,848	\$ 451,347	\$ -	\$ 4,062,195
Payroll taxes and employee benefits	348,144	108,660	-	456,804	301,851	99,337	-	401,188
Missionary expense	8,275,918	4,216	-	8,280,134	7,156,213	3,792	-	7,160,005
Client expenses	-	32,760	-	32,760	-	-	-	-
Conferences	-	7,407	-	7,407	-	4,634	-	4,634
Depreciation	-	57,317	-	57,317	-	56,407	-	56,407
Insurance	-	29,628	-	29,628	-	28,287	-	28,287
Investment fees	-	17,671	-	17,671	-	15,653	-	15,653
Miscellaneous	-	6,740	-	6,740	-	3,850	-	3,850
Office expense	76,534	96,919	-	173,453	74,396	83,453	-	157,849
Professional services	-	46,211	-	46,211	-	39,603	-	39,603
Promotions and publicity	-	4,349	4,343	8,692	-	5,778	6,616	12,394
Repairs and maintenance	-	17,055	-	17,055	-	19,251	-	19,251
Supplies	-	9,393	-	9,393	-	811	-	811
Telephone	-	21,889	-	21,889	-	19,225	-	19,225
Training	-	2,333	-	2,333	-	5,531	-	5,531
Travel	-	40,420	-	40,420	-	46,462	-	46,462
Utilities	-	13,260	-	13,260	-	11,980	-	11,980
Total Expenses	\$ 13,006,525	\$ 1,005,856	\$ 4,343	\$ 14,016,724	\$ 11,143,308	\$ 895,401	\$ 6,616	\$ 12,045,325

See accompanying Notes to Consolidated Financial Statements.

GLOBAL OUTREACH INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

CASH FLOWS FROM (USED FOR):	Years Ended December 31,	
OPERATING ACTIVITIES:	2017	2016
Change in net assets	\$ 248,261	\$ 793,635
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	57,317	56,407
Net gains on sales of investments	(8,128)	(8,860)
Net unrealized gains on investments	(377,913)	(208,852)
Donated investments	(44,578)	(18,719)
Donated property and equipment	(61,500)	-
(Increase) decrease in:		
Accounts receivable	(26,417)	-
Accrued interest receivable	3,442	(6,945)
Prepaid expenses	(13,135)	(6,668)
Increase (decrease) in:		
Accounts payable	(27,359)	33,497
Accrued expenses	15,978	-
Net Cash From (Used For) Operating Activities	(234,032)	633,495
INVESTING ACTIVITIES:		
Short-term investments, net	(409,511)	232,416
Proceeds from sale of investments	43,528	18,945
Reinvested net investment income - endowment	(60,908)	(60,106)
Endowment fund withdrawals	54,216	70,723
Capital expenditures	(21,985)	(38,777)
Net Cash From (Used For) Investing Activities	(394,660)	223,201
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(628,692)	856,696
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,747,360	890,664
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,118,668	\$ 1,747,360
SUPPLEMENTAL DISCLOSURES:		
Non-cash investing activities:		
Donated investments	\$ 44,578	\$ 18,719
Donated property and equipment	\$ 61,500	\$ -

See accompanying Notes to Consolidated Financial Statements.

GLOBAL OUTREACH INTERNATIONAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED 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-seven countries around the world. The Organization is supported primarily through donor contributions.

Principles of Consolidation

Spindago Group, LLC was organized on February 7, 2017, and is a wholly-owned subsidiary of Global Outreach International, Inc. Spindago was created to provide management and direction to various small missional organizations that support the vision and mission of Global Outreach International.

GOinnovation, LLC was organized on February 8, 2018, and is a wholly-owned subsidiary of Spindago Group, LLC. GOinnovation, LLC was created to accomplish the mission of Global Outreach International by providing human development and leadership training to churches, non-profits, and businesses throughout the world.

All material intercompany accounts and transactions are eliminated in consolidation.

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 2017 or 2016.

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

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2017 or 2016. However, many individuals volunteer their time and assist the Organization with administrative tasks and mission work.

Consulting service income provided by the subsidiary is recognized when earned.

Cash and Cash Equivalents

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

Receivables

Accounts receivable are recorded when services are provided and are presented in the statements of financial position net of the allowance for doubtful accounts. Accounts receivable are written off when they are determined to be uncollectible. The allowance for doubtful accounts is estimated based on an evaluation of each customer account. An allowance for doubtful accounts was not considered necessary at December 31, 2017.

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.

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 U.S. 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, the realizability of accounts receivable, 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

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

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, 2017 and 2016, cash in excess of FDIC insurance limits was \$241,218 and \$836,824, respectively.

Reclassifications

Certain 2016 balances were reclassified to conform to the 2017 manner of presentation.

Date of Management Evaluation

Management has evaluated subsequent events through July 25, 2018, 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, 2017 and 2016 are summarized as follows:

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Current:				
Fixed income securities	\$ 636,000	\$ 635,814	\$ 3,270,000	\$ 3,266,551
Equity securities	369,328	372,531	2,000	2,035
Mutual funds	<u>2,677,488</u>	<u>2,675,649</u>	<u>-</u>	<u>-</u>
	<u>3,682,816</u>	<u>3,683,994</u>	<u>3,272,000</u>	<u>3,268,586</u>
Endowment fund:				
Cash and cash equivalents	83,808	83,808	38,708	38,708
Fixed income securities	1,201,872	1,191,438	1,077,572	1,069,158
Equity securities	<u>1,773,805</u>	<u>2,737,695</u>	<u>1,928,566</u>	<u>2,517,189</u>
	<u>3,059,485</u>	<u>4,012,941</u>	<u>3,044,846</u>	<u>3,625,055</u>
	<u>\$ 6,742,301</u>	<u>\$ 7,696,935</u>	<u>\$ 6,316,846</u>	<u>\$ 6,893,641</u>

NOTE 2 – INVESTMENTS IN MARKETABLE SECURITIES (Continued)

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 values of the Organization's marketable securities were 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,	
	2017	2016
Land	\$ 148,575	\$ 140,075
Building and improvements	885,522	840,522
Duplexes	195,615	195,615
Furniture and fixtures - duplexes	44,975	44,975
Office furniture and equipment	173,952	143,967
Equipment	11,000	11,000
	<u>1,459,639</u>	<u>1,376,154</u>
Less accumulated depreciation	538,311	480,994
	<u>\$ 921,328</u>	<u>\$ 895,160</u>

NOTE 4 – NET ASSETS

Unrestricted net assets designated by the Board of Directors of the Organization consist of cash and investments in a perpetual endowment fund. 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.

NOTE 4 – NET ASSETS (Continued)

The endowment fund transactions for 2017 and 2016 are summarized below.

	Years Ended December 31,	
	2017	2016
Endowment fund, beginning of year	\$ 3,625,055	\$ 3,414,593
Interest and dividends	77,778	75,759
Net gain on sales of investments	8,212	8,779
Net unrealized gain on investments	372,982	212,300
Investment fees	(16,870)	(15,653)
Appropriated for expenditure	<u>(54,216)</u>	<u>(70,723)</u>
Endowment fund, end of year	<u>\$ 4,012,941</u>	<u>\$ 3,625,055</u>

Temporarily restricted net assets consist of cash and investments to be used for the following purposes:

	December 31,	
	2017	2016
Missions	\$ 4,514,735	\$ 4,725,429
For the purchase of software	<u>-</u>	<u>11,893</u>
	<u>\$ 4,514,735</u>	<u>\$ 4,737,322</u>

NOTE 5 – OPERATING LEASES

The Organization leases office equipment and a small piece of property under non-cancelable operating leases which require monthly lease payments totaling \$2,210. The leases expire in 2021. Future minimum lease payments are:

2018	\$ 26,514
2019	24,764
2020	23,514
2021	<u>11,617</u>
	<u>\$ 86,409</u>

Total lease expense of \$25,264 for 2017 and \$21,125 for 2016 is included in office expense.

NOTE 6 – RETIREMENT PLAN

The Organization has a Section 401(k) plan whereby the Organization matches employee contributions up to 5% of compensation. Employer retirement contributions were \$79,909 in 2017 and \$68,821 in 2016.

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>2017</u>	<u>2016</u>
Temporarily restricted donations and other income	\$ 137,871	\$ 150,329
Program services expense	\$ 226,125	\$ 169,305