

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

AUDITED CONSOLIDATED FINANCIAL STATEMENT

DECEMBER 31, 2018 AND 2017

GLOBAL OUTREACH INTERNATIONAL, INC. AND SUBSIDIARY

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

CONTENTS

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



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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, 2018 and 2017, 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, 2018 and 2017, 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 19, 2019

AUDITED CONSOLIDATED FINANCIAL STATEMENT

GLOBAL OUTREACH INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2018	2017
CURRENT ASSETS:		
Cash and cash equivalents (Note 4)	\$ 1,205,898	\$ 1,118,668
Accounts receivable	33,503	26,417
Accrued interest receivable	-	4,181
Marketable securities (Notes 2 and 4)	3,966,877	3,683,994
Prepaid expenses	27,548	28,674
Total Current Assets	5,233,826	4,861,934
NONCURRENT ASSETS:		
Endowment fund (Notes 2 and 4)	3,750,541	4,012,941
PROPERTY AND EQUIPMENT, NET (Note 3)	893,850	921,328
	\$ 9,878,217	\$ 9,796,203

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 55,134	\$ 28,804
Accrued liabilities	18,580	16,020
Contract deposits	0	-
Total Current Liabilities	73,714	44,824
NET ASSETS:		
Without donor restrictions:		
Undesignated	1,004,720	1,223,703
Board designated (Note 4)	3,750,541	4,012,941
Total Without Donor Restrictions	4,755,261	5,236,644
With donor restrictions	5,049,242	4,514,735
Total Net Assets	9,804,503	9,751,379
	\$ 9,878,217	\$ 9,796,203

See accompanying Notes to Consolidated Financial Statements.

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

	<u>Year Ended December 31, 2018</u>			<u>Year Ended December 31, 2017</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES:						
Donations	\$ 561,304	\$ 13,897,440	\$ 14,458,744	\$ 712,219	\$ 12,832,479	\$ 13,544,698
Leadership training fees	203,832	-	203,832	198,373	-	198,373
Other income	2,012	20,746	22,758	200	25,531	25,731
Investment return, net	(253,815)	-	(253,815)	478,512	-	478,512
Net assets released from restrictions:						
Satisfaction of purpose restrictions	13,383,679	(13,383,679)	-	13,080,597	(13,080,597)	-
Total Support and Revenues	13,897,012	534,507	14,431,519	14,469,901	(222,587)	14,247,314
EXPENSES:						
Program Services	12,673,285	-	12,673,285	12,412,930	-	12,412,930
Supporting Services:						
Management and general	1,501,706	-	1,501,706	1,478,542	-	1,478,542
Fund-raising	203,404	-	203,404	107,581	-	107,581
Total Supporting Services	1,705,110	-	1,705,110	1,586,123	-	1,586,123
Total Expenses	14,378,395	-	14,378,395	13,999,053	-	13,999,053
CHANGE IN NET ASSETS	(481,383)	534,507	53,124	470,848	(222,587)	248,261
NET ASSETS, BEGINNING OF YEAR	5,236,644	4,514,735	9,751,379	4,765,796	4,737,322	9,503,118
NET ASSETS, END OF YEAR	\$ 4,755,261	\$ 5,049,242	\$ 9,804,503	\$ 5,236,644	\$ 4,514,735	\$ 9,751,379

See accompanying Notes to Consolidated Financial Statements.

GLOBAL OUTREACH INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	<u>Year Ended December 31, 2018</u>				<u>Year Ended December 31, 2017</u>			
	<u>Program Services</u>	<u>Supporting Services</u>			<u>Program Services</u>	<u>Supporting Services</u>		
		<u>Management and General</u>	<u>Fund-Raising</u>	<u>Total</u>		<u>Management and General</u>	<u>Fund-Raising</u>	<u>Total</u>
Salaries	\$ 4,765,656	\$ 570,701	\$ 105,900	\$ 5,442,257	\$ 4,242,557	\$ 508,933	\$ 44,066	\$ 4,795,556
Payroll taxes and employee benefits	427,474	55,098	19,546	502,118	396,180	52,489	9,942	458,611
Missionary expense	7,155,341	794,062	-	7,949,403	7,456,174	827,592	-	8,283,766
Advertising and marketing	1,164	407	4,125	5,696	647	4,330	5,468	10,445
Client expenses	35,811	3,979	-	39,790	29,738	3,304	-	33,042
Depreciation	40,672	8,134	9,296	58,102	42,988	9,171	5,159	57,318
Insurance	20,812	4,162	4,757	29,731	20,866	4,451	2,504	27,821
Miscellaneous	1,423	-	-	1,423	-	-	-	-
Occupancy	38,659	5,165	8,718	52,542	41,435	6,660	5,704	53,799
Office expense	101,599	11,681	34,572	147,852	122,954	21,936	25,604	170,494
Professional services	27,510	34,580	752	62,842	13,173	37,413	-	50,586
Professional development and training	22,592	1,166	-	23,758	9,740	-	-	9,740
Software and computer	4,176	10,698	10,659	25,533	3,732	1,853	1,505	7,090
Travel	30,396	1,873	5,079	37,348	32,746	410	7,629	40,785
Total Expenses	\$ 12,673,285	\$ 1,501,706	\$ 203,404	\$ 14,378,395	\$ 12,412,930	\$ 1,478,542	\$ 107,581	\$ 13,999,053

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:	2018	2017
Change in net assets	\$ 53,124	\$ 248,261
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	58,102	57,318
Net gains on sales of investments	(72,580)	(8,128)
Net unrealized (gains) losses on investments	510,279	(377,913)
Donated investments	(3,986)	(44,578)
Donated property and equipment	(1,600)	(61,500)
(Increase) decrease in:		
Accounts receivable	(7,086)	(26,417)
Accrued interest receivable	4,181	3,442
Prepaid expenses	1,126	(13,135)
Increase (decrease) in:		
Accounts payable	26,330	(27,359)
Accrued liabilities	(6,128)	15,978
Contract deposits	8,688	-
Net Cash From (Used For) Operating Activities	570,450	(234,031)
INVESTING ACTIVITIES:		
Short-term investments, net	(554,495)	(409,511)
Proceeds from sale of investments	6,974	43,528
Reinvested net investment income - endowment	(67,193)	(60,908)
Endowment fund withdrawals	160,518	54,216
Capital expenditures	(29,024)	(21,986)
Net Cash Used For Investing Activities	(483,220)	(394,661)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	87,230	(628,692)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,118,668	1,747,360
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,205,898	\$ 1,118,668
SUPPLEMENTAL DISCLOSURES:		
Cash payments for:		
Unrelated business income tax	\$ 943	\$ -
Non-cash investing activities:		
Donated investments	\$ 3,986	\$ 44,578
Donated property and equipment	\$ 1,600	\$ 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, development, and compassion ministries to people in approximately fifty countries around the world. The Organization is supported primarily through donor contributions.

Principles of Consolidation

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

GOinnovation, LLC was organized in 2017, and is a wholly-owned subsidiary of Spindigo 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 net assets with donor restrictions. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Investment income, including realized and unrealized gains and losses, are reported as increases or decreases in net assets without donor restrictions unless a donor places restrictions on the income's use. No restricted investment income was recorded in 2018 or 2017.

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 2018 or 2017. However, many individuals volunteer their time and assist the Organization with administrative tasks and mission work.

Leadership training income provided by the subsidiary is recognized when earned.

GLOBAL OUTREACH INTERNATIONAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Allocation of Functional Expenses

The financial statements of the Organization report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits and missionary expense, which are allocated on the basis of time and effort estimates, and office, occupancy, travel, and other expenses, which are allocated on the basis of estimated cost per function. Management revised its basis for functional expense allocations for 2017, and certain expenses on the accompanying Statement of Functional Expenses for the year ended December 31, 2017, were reclassified to reflect these changes.

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, 2018 or 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 thirty-nine 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, the allocation of functional expenses, and depreciation. Accordingly, actual results could differ from those estimates.

GLOBAL OUTREACH INTERNATIONAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 and is classified by the Internal Revenue Service as other than a private foundation. However, the Organization is subject to the unrelated business income tax on leadership training income from certain clients.

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, 2018 and 2017, cash in excess of FDIC insurance limits was \$553,214 and \$241,218, respectively.

ASU No. 2016-14

ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, is effective for 2018, and is being applied on a retrospective basis to the 2017 financial statements. The Organization's support, revenues, and net assets are now classified as "without donor restrictions" and "with donor restrictions," rather than as "unrestricted" and "temporarily restricted."

Reclassifications

Certain 2017 balances were reclassified to conform to the 2018 manner of presentation.

Date of Management Evaluation

Management has evaluated subsequent events through July 19, 2019, the date on which the financial statements were available to be issued.

GLOBAL OUTREACH INTERNATIONAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – INVESTMENTS IN MARKETABLE SECURITIES

Investments in marketable securities as of December 31, 2018 and 2017 are summarized as follows:

	December 31, 2018		December 31, 2017	
	Cost	Fair Value	Cost	Fair Value
Current:				
Fixed income securities	\$ -	\$ -	\$ 636,000	\$ 635,814
Equity securities	778,067	702,578	369,328	372,531
Mutual funds	3,456,225	3,264,299	2,677,488	2,675,649
	4,234,292	3,966,877	3,682,816	3,683,994
Endowment fund:				
Cash and cash equivalents	171,408	171,408	83,808	83,808
Fixed income securities	1,267,035	1,235,863	1,201,872	1,191,438
Equity securities	1,597,520	2,343,270	1,773,805	2,737,695
	3,035,963	3,750,541	3,059,485	4,012,941
	\$ 7,270,255	\$ 7,717,418	\$ 6,742,301	\$ 7,696,935

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,	
	2018	2017
Land	\$ 148,575	\$ 148,575
Building and improvements	885,522	885,522
Duplexes	195,615	195,615
Furniture and fixtures - duplexes	44,975	44,975
Office furniture and equipment	141,732	173,952
Equipment	11,000	11,000
	1,427,419	1,459,639
Less accumulated depreciation	533,569	538,311
	\$ 893,850	\$ 921,328

GLOBAL OUTREACH INTERNATIONAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – PROPERTY AND EQUIPMENT (Continued)

On August 1, 2018, the Organization entered into a lease agreement with an unrelated nonprofit corporation (the Tenant) for the lease of 6.71 acres of land for \$1 per year. The Tenant has constructed a building on the land. The initial lease term is 50 years, and the Tenant shall be the owner of the improvements throughout this term. Upon expiration of the initial term or sooner termination of the lease, ownership of all improvements upon the land shall become the property of the Organization. The lease may be renewed for another 50 years.

NOTE 4 – NET ASSET DESIGNATIONS AND RESTRICTIONS

Net assets without donor restrictions includes a perpetual endowment fund designated by the Board of Directors for long-term investment. The endowment fund consists of cash and marketable securities and is managed by investment account advisors under the direction of a board of managers. The Organization's primary investment objectives are income and liquidity, with growth of capital being a secondary goal. Beginning in 2018, four percent of the fair market value of the endowment's net assets as of the beginning of the year are to be used for the operating, administrative, and capital expenses of the Organization.

The endowment fund transactions for 2018 and 2017 are summarized below.

	<u>Years Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Endowment fund, beginning of year	\$ <u>4,012,941</u>	\$ <u>3,625,055</u>
Investment return, net:		
Interest and dividends	84,984	77,778
Net gains on sales of investments	72,591	8,212
Net unrealized gains (losses) on investments	(241,666)	372,982
Investment fees	<u>(17,791)</u>	<u>(16,870)</u>
Investment return, net	<u>(101,882)</u>	<u>442,102</u>
Appropriated for expenditure	<u>(160,518)</u>	<u>(54,216)</u>
Endowment fund, end of year	\$ <u><u>3,750,541</u></u>	\$ <u><u>4,012,941</u></u>

Net assets with donor restrictions consist of cash and investments to be used for:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Missions	\$ <u>5,038,591</u>	\$ <u>4,514,735</u>
Capital campaign	<u>10,651</u>	<u>-</u>
	\$ <u><u>5,049,242</u></u>	\$ <u><u>4,514,735</u></u>

GLOBAL OUTREACH INTERNATIONAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization sets a goal of having financial assets on hand to meet three months of normal operating expenses, which are, on average, around \$3,300,000 for missionary and mission project expenditures and \$225,000 for other expenditures. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Organization invests some of its cash in excess of its daily needs in short-term investments.

The Organization is primarily funded by contributions from donors that are restricted for use by certain missionaries or for certain mission projects. The Organization requires and monitors individual budgets for each missionary and project and limits expenditures if funds are not available.

The Organization's financial assets as of December 31, 2018 and 2017, that were available to meet cash needs for general expenditures within one year were:

	<u>Years Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,205,898	\$ 1,118,668
Accounts receivable and accrued interest	33,503	30,598
Marketable securities	3,966,877	3,683,994
4% of endowment fund cash and marketable securities (see Note 4)	150,022	160,518
Less those unavailable for general expenditure within one year:		
Donor-restricted for capital campaign	<u>(10,651)</u>	<u>-</u>
	<u>\$ 5,345,649</u>	<u>\$ 4,993,778</u>
Financial assets available for missionary and mission project general expenditures (Note 4)	\$ 5,049,242	\$ 4,514,735
Financial assets available for other general expenditures	<u>296,407</u>	<u>479,043</u>
	<u>\$ 5,345,649</u>	<u>\$ 4,993,778</u>

GLOBAL OUTREACH INTERNATIONAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – 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:

2019	\$	24,764
2020		23,514
2021		<u>11,617</u>
	\$	<u>59,895</u>

Total lease expense and usage fees of \$38,868 for 2018 and \$25,264 for 2017 are included in office expense.

NOTE 7 – 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 \$99,940 in 2018 and \$79,909 in 2017.

NOTE 8 – 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>2018</u>	<u>2017</u>
Temporarily restricted donations and other income	\$ 169,201	\$ 137,871
Program services expense	\$ 237,958	\$ 226,125