

Financial Statements

G.O. Ministries, Inc.

December 31, 2019 and 2018

G.O. MINISTRIES, INC.

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Harbsmeier & Company, PSC

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
G.O. Ministries, Inc.
Louisville, Kentucky

Board of Directors
G.O. Ministries, Inc.
Louisville, Kentucky

We have audited the accompanying financial statements of G.O. Ministries, Inc. (a nonprofit Company), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 audit 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 auditor's 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 G.O. Ministries, Inc. as of December 31, 2019 and 2018, 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.

Harbsmeier & Company, PSC

Louisville, Kentucky
November 6, 2020

Harbsmeier & Company
Louisville, Kentucky

G.O. MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31	
	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash	\$ 617,165	\$ 492,271
Contributions receivable	42,000	12,796
Prepaid expenses and other	<u>26,032</u>	<u>15,049</u>
Total current assets	685,197	520,116
Property and equipment, net	1,752,606	1,734,309
Other Assets		
Other investments	475,246	342,081
Note receivable	<u>63,849</u>	<u>52,676</u>
	<u>539,095</u>	<u>394,757</u>
Total Assets	<u>\$ 2,976,898</u>	<u>\$ 2,649,182</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 175,496	\$ 81,976
Deferred income	162,990	-
Note payable, current portion	<u>5,377</u>	<u>5,167</u>
Total Current Liabilities	343,863	87,143
Security Deposits	7,600	7,600
Long-Term Obligations, less current portion	<u>12,912</u>	<u>18,289</u>
Total Liabilities	364,375	113,032
Unrestricted Net Assets	<u>2,612,523</u>	<u>2,536,150</u>
Total Liabilities and Net Assets	<u>\$ 2,976,898</u>	<u>\$ 2,649,182</u>

See notes to financial statements

G.O. MINISTRIES, INC.

STATEMENTS OF ACTIVITIES

	Years Ended December 31	
	<u>2019</u>	<u>2018</u>
Revenues and other support		
Focused area of Ministry contributions	\$ 2,881,170	\$ 3,549,379
Mission trip fees	1,167,048	1,301,803
Construction contributions	1,242,134	1,556,394
Fundraising events	<u>564,571</u>	<u>450,031</u>
Total revenue and other support	5,854,923	6,857,607
Expenses		
Community Development	2,601,028	3,370,497
Church planting	784,288	737,830
Sports and Medical	726,879	687,300
Leadership Development Complex	1,029,970	1,610,249
Administrative expenditures	399,737	530,233
Fundraising and conferences	<u>236,648</u>	<u>384,010</u>
Total expenses	<u>5,778,550</u>	<u>7,320,119</u>
Increase (Decrease) in total net assets	76,373	(462,512)
Unrestricted Net Assets, beginning of year	<u>2,536,150</u>	<u>2,998,662</u>
Unrestricted Net Assets, end of year	<u>\$ 2,612,523</u>	<u>\$ 2,536,150</u>

See notes to financial statements

G.O. MINISTRIES, INC.**STATEMENTS OF CASH FLOWS**

	Year Ended December 31	
	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Cash received from contributions and other fundraising	\$ 5,854,923	\$ 6,857,607
Cash paid to suppliers and employees	(5,519,697)	(7,203,399)
Interest paid	<u>(845)</u>	<u>(1,045)</u>
Net cash used by operating activities	334,381	(346,837)
Cash Flows from Investing Activities		
Purchase of property and equipment	(59,982)	11,900
Purchase of marketable securities	(133,165)	(12,757)
Investment in (payment from) closely-held business	<u>(11,173)</u>	<u>10,268</u>
Net cash used by investing activities	(204,320)	9,411
Cash Flows from Financing Activities		
Payments on long-term debt	<u>(5,167)</u>	<u>(4,965)</u>
Increase (Decrease) in Cash	124,894	(342,391)
Cash, beginning of year	<u>492,271</u>	<u>834,662</u>
Cash, end of year	<u>\$ 617,165</u>	<u>\$ 492,271</u>
Reconciliation of Net Decrease in Total Net Assets To Net Cash Provided by Operating Activities		
Net increase (decrease) in total net assets	\$ 76,373	\$ (462,512)
Adjustments to reconcile net increase in total net assets to net cash provided by operating activities:		
Depreciation	41,685	41,318
Change in assets and liabilities:		
Increase (Decrease) in:		
Contributions receivable	(29,204)	42,774
Prepaid expenses and other	(10,983)	(10,691)
Increase (Decrease) in:		
Accounts payable	93,520	42,274
Deferred revenue	<u>162,990</u>	<u>-</u>
Total adjustments	<u>258,008</u>	<u>115,675</u>
Net cash used by operating activities	<u>\$ 334,381</u>	<u>\$ (346,837)</u>

See notes to financial statements

G.O. MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A—NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of G.O. Ministries, Inc. (the "Company") is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Activities: The Company is a non-profit, tax-exempt Company dedicated to the ministry of short-term missions and the development of partnerships of ministry primarily in the Dominican Republic. The Company's goal is to recruit, equip and coordinate people for short-term mission trips that will mutually challenge each participant and support the inspiring efforts of the Christian leaders abroad.

The summary of significant accounting policies followed by the Company follows:

Basis of Accounting: The financial statements of the Company have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables and payables.

Contributions Receivable: Contributions receivable consists entirely of unrestricted unconditional promises to give beyond the date of the statement of financial position. The Company only records a donation if the donor explicitly specifies a period of time the donation will be received. All other donations are recorded upon receipt. All balances as of December 31, 2019 and 2018, respectively, are due in less than one year. There was no allowance for doubtful accounts as of December 31, 2019 and 2018.

Cash and Cash Equivalents: For the purpose of the statements of cash flows, the Company considers all highly liquid investment instruments with a maturity of three months or less to be cash equivalents. Interest paid during the years ended December 31, 2019 and 2018 was \$843 and \$1,050, respectively.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Property and Equipment: Furniture and computer equipment costing in excess of \$1,000 are capitalized at cost at the date of acquisition, or fair value at the date of the gift or bequest. Depreciation is provided on the straight-line method over the estimated useful lives as follows:

Office furniture and fixtures	3 - 7 years
Computer equipment and software	3 - 5 years

Depreciation expense amounted to \$41,685 and \$41,318 for the years ended December 31, 2019 and 2018, respectively.

Net Assets: Contributions received by the Company may be earmarked for certain purposes, but are not restricted as to their use by the donors. All net assets and contributions are shown as net assets without donor restrictions in the financial statements.

G.O. MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

**NOTE A—NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--
CONTINUED**

Investments: Investments are stated at fair value. Fair value is the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses. The Company has invested or loaned \$63,849 to several for-profit entities that will pay royalties to the Company. In accordance with ASC 325-20, the investments are recorded using the cost method (see Note B).

Impairment of Long-Lived Assets: The Company reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount.

Revenue Recognition: For the years ended December 31, 2019 and 2018, substantially all of the Company's revenue was derived from donor contributions and special events. The revenue from the special events is recorded at the time of purchase. The Company has determined that the nature, amount, timing and uncertainty of donor revenue and cash flows are affected by the economy and general public support.

Program Services: Program services relate primarily to the support of "ministry hubs" in the Dominican Republic and Haiti. Key expenses include:

- Salaries for ministry, construction and administrative personnel based in those countries.
- Expenses associated with the construction and operation of churches, feeding centers, and schools.
- Support of mission trips from the United States.

The appropriateness of these expenditures is at the wide discretion of the Company's ministry personnel and management.

Property and equipment purchased or constructed by the Company in foreign countries is expensed as a program service expense as incurred. Such property is not recorded as an asset of the Company because of the difficulty in obtaining and/or maintaining legal title of the property.

Income Taxes: The Company is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and Section 141.010(1)(f) of the Kentucky Revised Statutes. The Company's open audit periods are 2012 through 2019.

Concentration of Credit Risk: The Company maintains cash balances at two local banks. The cash accounts were insured by FDIC up to \$250,000. The amount in excess of insured limits was approximately \$229,000 and \$263,900 for the years ended December 31, 2019 and 2018, respectively.

Subsequent Events: In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through November 6, 2020, the date the financial statements were available to be issued.

G.O. MINISTRIES, INC.**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019 and 2018

NOTE B--INVESTMENTS

Investments are carried at fair market value in the accompanying statements of financial position. Investments at December 31, 2019 and 2018 are as follows:

	<u>2019</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Assets held in SERP (see Note D)			
Cash and cash equivalents	\$ 6,623	\$ 6,623	\$ -
Equities	339,988	432,366	92,378
Fixed income and Preferred securities Alternatives	10,000	10,757	757
	<u>89,349</u>	<u>89,349</u>	<u>-</u>
	<u>\$ 445,960</u>	<u>\$ 539,095</u>	<u>\$ 93,135</u>
	<u>2018</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Assets held in SERP (see Note D)			
Cash and cash equivalents	\$ 31,503	\$ 31,503	\$ -
Equities	274,507	285,078	10,571
Alternatives	78,176	78,176	-
	<u>78,176</u>	<u>78,176</u>	<u>-</u>
	<u>\$ 384,186</u>	<u>\$ 394,757</u>	<u>\$ 10,571</u>

Investments were classified as without donor restrictions as of December 31, 2019 and 2018.

NOTE C--PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Land - Dominican Republic	\$ 1,094,200	\$ 1,094,200
Office building and improvements	980,444	946,114
Vehicles	82,178	58,080
Computer equipment	<u>4,240</u>	<u>3,665</u>
	2,161,062	2,102,059
Less accumulated depreciation	<u>(408,456)</u>	<u>(367,750)</u>
Net Property and Equipment	<u>\$ 1,752,606</u>	<u>\$ 1,734,309</u>

G.O. MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE D--RETIREMENT PLAN

Employees of the Company who meet certain requirements are eligible to participate in a defined contribution retirement plan. The Company does not match employee contributions.

The Company has a Non-Qualified Deferred Compensation plan (or Supplemental Executive Retirement Plan) for which the executive director is the beneficiary (see Note B). With the plan's arrangement, the executive will not pay taxes on the benefits until they are paid out at retirement. The plan is subject to the requirements of Internal Revenue Code section 409A, whereas the plan has a fixed, pre-determined payment schedule upon the executive's retirement. The Company funds the plan annually. In the event the executive discontinues his service with the company, the Company can liquidate the plan and reclassify the cash to operations. The fair market value of the plan's assets at December 31, 2019 and 2018 was \$449,745 and \$316,581, respectively.

NOTE E--FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active or inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable events.

All assets have been valued using a market approach. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2019 or 2018.

Cash equivalents – valued at the net asset value of shares held by the Company year end.

Mutual bond funds, equities and alternative assets – valued at the closing price reported in the active market in which the security is traded.

G.O. MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE E--FAIR VALUE MEASUREMENTS--CONTINUED

Beneficial interest in assets held by others is based on the Company's interest in the fair value of the assets provided by a third party.

The preceding methods describe may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE F--LEASES

Operating Lease Agreements: The Company leases a vehicle, office space under separate operating lease agreements. Total rental expense for the years ended December 31, 2019 and 2018 was approximately \$67,000 and \$18,500, respectively.

Future minimum lease payments for non-cancelable operating lease obligations at September 30, 2019 are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2020	\$ 605
2021	660
2022	660
2023	660
2024	715
	<u>\$ 3,300</u>

Sub-lease Agreements: The Company leases office space to tenants under non-cancelable operating leases with terms of four years. The following is a schedule by year of the approximate future minimum rental income under the leases at December 31, 2019.

Future minimum lease payments for non-cancelable Sub-lease obligations at December 31, 2019 are as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2020	\$ 4,068
2021	-
	<u>\$ 4,068</u>

G.O. MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE G--FINANCING ARRANGEMENTS

The Company has a \$1,000,000 promissory note agreement with German American Bancorp that is due March, 2022. The note is secured by real estate and the assignment of rents on property located at 11501 Plantside Drive in Louisville, KY. The note carries a floating interest rate at the bank's prime rate (effective rate of 4.75% at December 31, 2019). The Company had no borrowings on the promissory note at December 31, 2019 or December 31, 2018.

Long-term debt consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Note payable to bank, due in monthly installments of \$501 including interest, interest accrues at 3.99%. The note is collateralized by a vehicle.	<u>18,289</u>	<u>23,456</u>
	18,289	23,456
Less current portion	<u>5,377</u>	<u>5,167</u>
Long-term debt	<u>\$ 12,912</u>	<u>\$ 18,289</u>

Annual aggregate maturities of principal payments on long-term debt are as follows:

Year Ended December 31

2020 current	\$ 5,377
2021	5,596
2022	5,823
2023	1,493
2024 and thereafter	<u>-</u>
	<u>\$ 18,289</u>

NOTE H-- ACCOUNTING CHANGES

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230)*. The standard requires that a statement of cash flows detail the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or cash equivalents. The Company has implemented Topic 230 and has adjusted the presentation of the financial statements accordingly. The adoption of this standard has been applied retrospectively to all periods presented.

G.O. MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE I--NEWLY ISSUED STANDARDS NOT YET EFFECTIVE

FASB has issued ASU No. 2016-02, *Leases*, concerning the accounting for leases effective for years beginning after December 15, 2021 and No. 2018-13, *Fair Value Measurement: Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* concerning required disclosures for investments for years beginning after December 15, 2019. The Company is currently in the process of evaluating the impact of the adoption of these ASU's on future financial position and results of operations.

NOTE J--SUBSEQUENT EVENTS

Management is currently evaluating the impact of the COVID-19 pandemic on the industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Company's financial position, and/or the results of its operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.