

Financial Statements

G.O. Ministries, Inc.

December 31, 2022 and 2021

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

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, 2022 and 2021, 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, 2022 and 2021, 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
December 23, 2024

G.O. MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31	
	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash	\$ 1,330,912	\$ 840,254
Contributions receivable	-	-
Prepaid expenses and other	<u>20,009</u>	<u>1,133</u>
Total current assets	1,350,921	841,387
Property and equipment, net	1,650,242	1,715,990
Other Assets		
Other investments	<u>754,259</u>	<u>704,259</u>
Total Assets	<u>\$ 3,755,422</u>	<u>\$ 3,261,636</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 47,521	\$ 83,010
Pension plan payable	356,654	347,426
Deferred income	160,652	62,678
Note payable, current portion	<u>12,000</u>	<u>-</u>
Total Current Liabilities	576,827	493,114
Security Deposits	<u>7,600</u>	<u>7,600</u>
Total Liabilities	584,427	500,714
Unrestricted Net Assets	<u>3,170,995</u>	<u>2,760,922</u>
Total Liabilities and Net Assets	<u>\$ 3,755,422</u>	<u>\$ 3,261,636</u>

See notes to financial statements

G.O. MINISTRIES, INC.

STATEMENTS OF ACTIVITIES

	Years Ended December 31	
	<u>2022</u>	<u>2021</u>
Revenues and other support		
Focused area of Ministry contributions	\$ 6,273,801	\$ 5,339,031
Mission trip fees	1,200,484	253,703
Fundraising events	<u>177,652</u>	<u>426,043</u>
Total revenue and other support	7,651,937	6,018,777
Expenses		
Management and administrative	3,470,988	3,101,604
Church planting	1,491,982	1,486,358
Leadership Development Complex	708,250	1,081,028
Community Development	729,165	668,579
Sports and Medical	526,863	420,969
Fundraising and conferences	<u>271,711</u>	<u>23,400</u>
Total expenses	<u>7,198,959</u>	<u>6,781,938</u>
Increase (Decrease) in total net assets	452,978	(763,161)
Unrestricted Net Assets , beginning of year	<u>2,718,017</u>	<u>3,481,572</u>
Unrestricted Net Assets , end of year	<u>\$ 3,170,995</u>	<u>\$ 2,718,017</u>

See notes to financial statements

G.O. MINISTRIES, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Cash received from contributions and other fundraising	\$ 7,651,937	\$ 6,018,777
Cash paid to suppliers and employees	(7,114,541)	(6,720,522)
Interest paid	<u>(302)</u>	<u>-</u>
Net cash provided (used) by operating activities	537,094	(701,745)
Cash Flows from Investing Activities		
Increase (decrease) in marketable securities	(50,000)	(148,158)
Investment in (payment from) closely-held business	<u>(8,436)</u>	<u>36,000</u>
Net cash used by investing activities	(58,436)	(112,158)
Cash Flows from Financing Activities		
Proceeds (payments) on long-term debt	<u>12,000</u>	<u>-</u>
Increase (Decrease) in Cash	490,658	(813,903)
Cash, beginning of year	<u>840,254</u>	<u>1,654,157</u>
Cash, end of year	<u>\$ 1,330,912</u>	<u>\$ 840,254</u>
Reconciliation of Net Decrease in Total Net Assets To Net Cash Provided by Operating Activities		
Net increase (decrease) in total net assets	\$ 452,978	\$ (763,161)
Adjustments to reconcile net increase in total net assets to net cash provided by operating activities:		
Depreciation	31,279	34,843
Change in assets and liabilities:		
Increase (Decrease) in:		
Contributions receivable	-	62,255
Prepaid expenses and other	(18,876)	8,261
Increase (Decrease) in:		
Accounts payable	(26,261)	(97,666)
Deferred revenue	<u>97,974</u>	<u>53,723</u>
Total adjustments	<u>84,116</u>	<u>61,416</u>
Net cash provided (used) by operating activities	<u>\$ 537,094</u>	<u>\$ (701,745)</u>

See notes to financial statements

G.O. MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

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, 2022 and 2021, respectively, are due in less than one year. There was no allowance for doubtful accounts as of December 31, 2022 and 2021.

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, 2022 was \$302. No interest was paid in 2021.

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 \$31,279 and \$34,843 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021

**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, 2022 and 2021, 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 2014 through 2023.

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 \$864,000 and \$575,000 for the years ended December 31, 2022 and 2021, respectively.

Subsequent Events: In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through December 23, 2024, the date the financial statements were available to be issued.

G.O. MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE B--INVESTMENTS

Investments are carried at fair market value in the accompanying statements of financial position. Investments at December 31, 2022 and 2021 are as follows:

	2022		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Assets held in SERP (see Note D)			
Cash and cash equivalents	\$ 84,433	\$ 84,433	\$ -
Equities	342,739	458,884	116,145
Fixed income and Preferred securities Alternatives	-	-	-
	<u>\$ 427,172</u>	<u>\$ 543,317</u>	<u>\$ 116,145</u>
	2021		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Assets held in SERP (see Note D)			
Cash and cash equivalents	\$ 21,011	\$ 21,011	\$ -
Equities	340,337	560,828	220,491
Fixed income and Preferred securities Alternatives	10,000	12,584	2,584
	<u>\$ 371,348</u>	<u>\$ 594,423</u>	<u>\$ 223,075</u>

Investments were classified as without donor restrictions as of December 31, 2022 and 2021.

NOTE C--PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31	
	2022	2021
Land - Dominican Republic	\$ 1,094,200	\$ 1,094,200
Office building and improvements	980,444	980,444
Vehicles	87,511	87,511
Computer equipment	<u>9,671</u>	<u>6,898</u>
	2,171,826	2,161,062
Less accumulated depreciation	<u>(521,584)</u>	<u>(445,072)</u>
Net Property and Equipment	<u>\$ 1,650,242</u>	<u>\$ 1,715,990</u>

G.O. MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

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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, 2022 and 2021 was \$543,317 and \$594,423, 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.

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.

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.

G.O. MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE E--FAIR VALUE MEASUREMENTS--CONTINUED

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, 2022 and 2021 was approximately \$161,200 and \$76,200, respectively.

Sub-lease Agreements: The Company leases office space to tenants under non-cancelable operating leases with terms of four years. Rental income earned under these agreements was \$45,925 and \$46,800 for the years ended December 31, 2022 and 2021 respectively.

NOTE G-- ACCOUNTING CHANGES

FASB has issued ASU No. 2016-02, *Leases*, concerning the accounting for leases effective for years beginning after December 15, 2022 and No. 2021-13, *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, 2021. The effect of this change was not material to the financial statements at year-end.

NOTE H--FINANCING ARRANGEMENTS

The Company has a \$1,000,000 promissory note agreement with German American Bancorp that is due March, 2023. 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 7.65% at December 31, 2022). The Company had \$12,000 of borrowings on the promissory note at December 31, 2022 (none at December 31, 2021).