



CHRISTIAN WORLD
OUTREACH, INC.

FINANCIAL STATEMENTS
With Independent Auditors' Report

December 31, 2013 and 2012

CHRISTIAN WORLD OUTREACH

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Christian World Outreach
Littleton, Colorado

We have audited the accompanying financial statements of Christian World Outreach which comprise the statements of financial position as of December 31, 2013 and 2012, 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 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 audit 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.

Board of Directors
Christian World Outreach
Littleton, Colorado

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christian World Outreach, as of December 31, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Littleton, Colorado
April 16, 2014

CHRISTIAN WORLD OUTREACH

Statements of Financial Position

	December 31,	
	2013	2012
ASSETS:		
Cash and cash equivalents	\$ 206,740	\$ 63,190
Cash restricted for long-term purposes	228,751	95,690
Investments	-	164,957
Gift-in-kind inventory	138,138	17,795
Prepaid expenses and other assets	4,242	16,022
Property and equipment–net	881,846	893,116
Total Assets	\$ 1,459,717	\$ 1,250,770
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 4,344	\$ 16,495
Accrued expenses	11,015	11,881
	<u>15,359</u>	<u>28,376</u>
Net assets:		
Unrestricted:		
Operating	87,194	8,013
Equity in property and equipment–net	881,846	893,116
	<u>969,040</u>	<u>901,129</u>
Temporarily restricted	475,318	321,265
	<u>1,444,358</u>	<u>1,222,394</u>
Total Liabilities and Net Assets	\$ 1,459,717	\$ 1,250,770

See notes to financial statements

CHRISTIAN WORLD OUTREACH

Statements of Activities

	Year Ended December 31,					
	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 67,684	\$ 982,829	\$ 1,050,513	\$ 85,335	\$ 976,081	\$ 1,061,416
Gift-in-kind contributions	146,552	-	146,552	174,130	-	174,130
Ministry income	25,900	-	25,900	20,065	-	20,065
Gain (loss) on sale of property and equipment	(14,500)	-	(14,500)	(7,548)	-	(7,548)
Other income	11,253	-	11,253	789	-	789
Total Support and Revenue	236,889	982,829	1,219,718	272,771	976,081	1,248,852
NET ASSETS RELEASED:						
Purpose restrictions	828,776	(828,776)	-	986,262	(986,262)	-
EXPENSES:						
Program services	845,853	-	845,853	1,066,989	-	1,066,989
Supporting activities:						
Management and general	85,456	-	85,456	131,611	-	131,611
Fund-raising	66,445	-	66,445	32,553	-	32,553
Total Expenses	997,754	-	997,754	1,231,153	-	1,231,153
Change in Net Assets	67,911	154,053	221,964	27,880	(10,181)	17,699
Net Assets, Beginning of Year	901,129	321,265	1,222,394	873,249	331,446	1,204,695
Net Assets, End of Year	\$ 969,040	\$ 475,318	\$ 1,444,358	\$ 901,129	\$ 321,265	\$ 1,222,394

See notes to financial statements

CHRISTIAN WORLD OUTREACH

Statements of Cash Flows

	Year Ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 221,964	\$ 17,699
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	62,209	58,532
Loss on sale of property and equipment	14,500	7,548
Contributions restricted for long-term purposes	(217,466)	(148,874)
Change in operating assets and liabilities:		
Gift-in-kind inventory	(120,343)	60,662
Prepaid expenses and other assets	11,780	(7,430)
Accounts payable	(12,151)	14,707
Accrued expenses	(866)	11,881
Net Cash Provided (Used) by Operating Activities	(40,373)	14,725
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(65,439)	(214,154)
Proceeds from sale of property and equipment	-	1,000
Proceeds from sale of investments	164,957	-
Net Cash Provided (Used) by Investing Activities	99,518	(213,154)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for long-term purposes	217,466	148,874
Change in cash restricted for long-term purposes	(133,061)	43,357
Net Cash Provided by Financing Activities	84,405	192,231
Change in Cash and Cash Equivalents	143,550	(6,198)
Cash and Cash Equivalents, Beginning of Year	63,190	69,388
Cash and Cash Equivalents, End of Year	\$ 206,740	\$ 63,190

See notes to financial statements

CHRISTIAN WORLD OUTREACH

Notes to Financial Statements

December 31, 2013 and 2012

1. NATURE OF ORGANIZATION:

Christian World Outreach (CWO) is a not-for-profit corporation. CWO helps people in developing countries improve their quality of life by reaching out to those who are shunned, forgotten, or marginalized by society. The mission of CWO is to participate with the body of Christ in responsible evangelism; to bring dignity, self worth, and encouragement through leadership development; and to meet the physical needs of people through humanitarian assistance.

CWO is recognized as an official non-governmental organization (NGO) in Burkina Faso, Haiti, Zambia, and Zimbabwe. These financial statements include the assets, liabilities, net assets, revenue, and expenses of the operations in these countries.

CWO is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and is not a private foundation under Section 509(a) of the Code. The primary source of revenue for CWO is contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CWO uses estimates and assumptions in preparing financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking and money market accounts. These accounts may, at times, exceed federally insured limits. CWO has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk regarding cash and cash equivalents.

CASH RESTRICTED FOR LONG-TERM PURPOSES

Cash restricted for long-term purposes consists of contributions that are donor-restricted for building-related expenses that have not been released. As of December 31, 2013 and 2012, the balance was held on deposit at a financial institution.

INVESTMENTS

Investments consist of a certificate of deposit with original maturities of three months or more and are reported at contract value. During the year ended December 31, 2013, the certificate of deposit matured and was not renewed.

CHRISTIAN WORLD OUTREACH

Notes to Financial Statements

December 31, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

GIFT-IN-KIND INVENTORY

Gift-in-kind inventory consists of donated merchandise such as food, clothing, and miscellaneous items used in field operations. All such inventory is recorded at its estimated fair value at the date of donation. Subsequent to year end, a shipment containing \$98,931 of gift-in-kind inventory was shipped to and distributed in Haiti.

PROPERTY AND EQUIPMENT—NET

Property and equipment are stated at cost, or if donated, at the fair market value on the date of the gift. CWO capitalizes all fixed assets greater than \$2,000. Depreciation is computed on the straight-line basis over the estimated useful lives, ranging from three to thirty years.

NET ASSETS

The financial statements report amounts separately by class of net assets as follows:

Unrestricted net assets include resources that are available to support CWO's current operations, as well as equity in property and equipment—net.

Temporarily restricted net assets are comprised of donor-restricted contributions for the support of projects and ministries.

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when made, which may be when cash is received or unconditionally promised, or when ownership of donated assets is transferred to CWO. Contributions restricted by the donor for a specific purpose are recorded as support in the temporarily restricted class of net assets until funds have been expended by CWO for the purpose specified. Upon satisfaction of the restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donated assets are recorded as gift-in-kind revenue at their estimated fair value on the date of donation.

Ministry income, interest income, and other income are recognized when earned.

Expenses are recognized when an obligation is incurred.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs, such as payroll, relating to more than one function have been allocated among the program services and supporting activities benefited.

CHRISTIAN WORLD OUTREACH

Notes to Financial Statements

December 31, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FOREIGN OPERATIONS

In connection with its foreign fields, CWO has certain supporting facilities outside the United States. The account balances relating to foreign operations are reflected in the financial statements in United States dollars. As of December 31, 2013 and 2012, assets in other countries totaled \$859,622 and \$871,243, respectively, and there were no liabilities in other countries. Support and revenue received from foreign sources totaled \$15,566 and \$19,680, for the years ended December 31, 2013 and 2012, respectively.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of December 31, 2013, CWO had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

CWO is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for the years prior to 2010.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to confirm with current year presentations.

3. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net as of December 31, 2013, consists of:

	<u>United States</u>	<u>Foreign Fields</u>	<u>Total</u>
Land	\$ -	\$ 154,347	\$ 154,347
Buildings and improvements	-	864,064	864,064
Vehicles	-	176,372	176,372
Furniture and equipment	14,146	75,544	89,690
Leasehold improvements	55,832	-	55,832
Website development	5,300	-	5,300
	<u>75,278</u>	<u>1,270,327</u>	<u>1,345,605</u>
Less accumulated depreciation and amortization	(32,793)	(515,105)	(547,898)
	<u>42,485</u>	<u>755,222</u>	<u>797,707</u>
Construction in process	-	84,139	84,139
	<u>\$ 42,485</u>	<u>\$ 839,361</u>	<u>\$ 881,846</u>

CHRISTIAN WORLD OUTREACH

Notes to Financial Statements

December 31, 2013 and 2012

3. PROPERTY AND EQUIPMENT–NET, continued:

Property and equipment–net as of December 31, 2012, consists of:

	United States	Foreign Fields	Total
Land	\$ -	\$ 154,347	\$ 154,347
Buildings and improvements	-	684,678	684,678
Vehicles	3,600	214,372	217,972
Furniture and equipment	15,566	74,425	89,991
Leasehold improvements	54,412	-	54,412
Website development	5,300	-	5,300
	78,878	1,127,822	1,206,700
Less accumulated depreciation and amortization	(32,392)	(487,702)	(520,094)
	46,486	640,120	686,606
Construction in process	-	206,510	206,510
	\$ 46,486	\$ 846,630	\$ 893,116

Depreciation and amortization expense was \$62,209 and \$58,532, for the years ended December 31, 2013 and 2012, respectively.

Management has reviewed the assets in other countries and has determined that they are under the control and ownership of the organization. While such items are recognized as assets of the organization, it should be noted that the political situation in many countries is subject to rapid change. Therefore, the reader should be aware that while CWO believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the realizable value of the assets in other countries. In addition, it should be understood that the carrying value of the assets in other countries may not be representative of the amount that would be realized should the asset be sold.

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Notes to Financial Statements

December 31, 2013 and 2012

4. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	December 31,	
	2013	2012
Zimbabwe	\$ 294,444	\$ 170,382
Haiti	95,203	95,505
Burkina Faso	55,699	30,467
Zambia	15,784	12,030
Staff and missionary support	10,923	9,288
Other	3,265	3,593
	\$ 475,318	\$ 321,265

5. GIFT-IN-KIND CONTRIBUTIONS:

Gift-in-kind contributions consist of:

	Year Ended December 31,	
	2013	2012
Food	\$ 95,796	\$ 103,479
Clothing	22,926	28,670
Rent	22,495	21,420
Other	5,335	20,561
	\$ 146,552	\$ 174,130

6. OPERATING LEASES:

CWO leases copying equipment. Total rent expense was \$9,162 and \$8,288 for the years ended December 31, 2013 and 2012, respectively. Future minimum payments are:

<u>Year Ending December 31,</u>	
2014	\$ 6,910
2015	6,910
2016	2,310
	\$ 16,130

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Notes to Financial Statements

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7. DONOR CONCENTRATION:

During the years ended December 31, 2013 and 2012, CWO received contributions from one donor that totaled \$236,000 and \$130,000, respectively. The gifts accounted for approximately 19% and 10% of total support and revenue for the years ended December 31, 2013 and 2012, respectively.

8. RELATED PARTY TRANSACTIONS:

The chairman of CWO's board is the vice president of a bank where, as of December 31, 2013 and 2012, \$415,176 and \$119,124, respectively, of cash and cash equivalents were held. Also, investments of \$164,957 were held at the bank as of December 31, 2012.

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.