

**CHRISTIAN WORLD OUTREACH, INC.**

**FINANCIAL STATEMENTS**

**\* \* \* \* \***

**DECEMBER 31, 2017**

## CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activity and Changes in Net Assets	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 9

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Christian World Outreach, Inc.  
Littleton, Colorado

We have audited the accompanying financial statements of Christian World Outreach, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017, and the related statements of activities and changes in net assets and cash flows for the year 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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 of 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 Christian World Outreach, Inc. as of December 31, 2017 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Davis + Co., CPAs, P.C.*

Highlands Ranch, Colorado  
July 13, 2018

**CHRISTIAN WORLD OUTREACH, INC.**  
**Statements of Financial Position**  
**December 31, 2017 & 2016**

	December 31,	
	2017	2016
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 410,318	\$ 489,018
Certificate of deposit account	153,619	101,430
Gift-in-kind inventory	25,555	24,078
Prepaid expenses	<u>—</u>	<u>22,171</u>
	589,492	636,697
Property and equipment		
Land and buildings	1,898,339	1,782,389
Furnishings and equipment	108,207	108,207
Vehicles	190,899	168,847
Leasehold improvements	<u>54,412</u>	<u>54,412</u>
	2,251,857	2,113,855
Less: Accumulated depreciation	<u>(735,188)</u>	<u>(674,499)</u>
	<u>1,516,669</u>	<u>1,439,356</u>
	<u>\$2,106,161</u>	<u>\$2,076,053</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 15,597	\$ 6,317
Accrued payroll expenses	<u>6,021</u>	<u>6,555</u>
	21,618	12,872
Net assets		
Unrestricted	1,847,271	1,730,384
Temporarily restricted	<u>237,272</u>	<u>332,797</u>
	<u>2,084,543</u>	<u>2,063,181</u>
	<u>\$2,106,161</u>	<u>\$2,076,053</u>

The accompanying notes are an integral part of this statement.

**CHRISTIAN WORLD OUTREACH, INC.**  
**Statements of Activity and Changes in Net Assets**  
**For the Years Ended December 31, 2017 & 2016**

	<u>2017</u>	<u>2016</u>
<b>Changes in unrestricted net assets:</b>		
Support and revenue		
Contributions	\$ 173,862	\$ 292,107
Events, net of donor benefits of \$24,963	37,426	38,328
In-kind contributions	30,107	39,282
Ministry & other income	<u>26,310</u>	<u>33,241</u>
Total support and revenue	267,705	402,958
Net assets released from restrictions	<u>771,685</u>	<u>641,423</u>
Total support, revenue and reclassifications	1,039,390	1,044,381
Functional expenses		
Program services	762,584	704,357
Supporting services		
General & administrative	91,510	85,377
Financial development	<u>68,409</u>	<u>66,065</u>
Total expenses	<u>922,503</u>	<u>855,799</u>
Change in unrestricted net assets	116,887	188,582
<b>Changes in temporarily restricted net assets:</b>		
Restricted contributions	676,160	734,381
Net assets released from restrictions	<u>(771,685)</u>	<u>(641,423)</u>
Change in temporarily restricted net assets	(95,525)	92,958
<b>Change in net assets, all categories</b>	<b>21,362</b>	<b>281,540</b>
<b>Net assets, beginning of year</b>	<b><u>2,063,181</u></b>	<b><u>1,781,641</u></b>
<b>Net assets, end of year</b>	<b><u>\$2,084,543</u></b>	<b><u>\$2,063,181</u></b>

The accompanying notes are an integral part of this statement.

**CHRISTIAN WORLD OUTREACH, INC.**  
**Statements of Functional Expenses**  
**For the Years Ended December 31, 2017 & 2016 (comparative)**

	<u>Program Services</u>	<u>General &amp; Administrative</u>	<u>Financial Development</u>	<u>Total Expenses</u>	
				<u>2017</u>	<u>2016</u>
Personnel expenses	\$ 348,385	\$ 36,895	\$ 42,756	\$ 428,036	\$ 447,474
Occupancy costs	66,112	7,584	8,789	82,485	73,334
Client needs & assistance	81,344	--	--	81,344	66,203
Travel, meetings & conferences	68,243	5,547	6,428	80,218	70,499
Program supplies	73,498	--	--	73,498	55,325
Professional fees & services	--	28,295	--	28,295	24,803
Equipment rental & maintenance	25,257	3,515	4,072	32,844	23,365
Office supplies & expenses	16,768	2,332	2,703	21,803	19,957
Telecommunications & technology	15,565	2,166	2,510	20,241	13,765
Insurance, taxes & other	10,905	994	1,151	13,050	9,362
Depreciation	<u>56,507</u>	<u>4,182</u>	<u>--</u>	<u>60,689</u>	<u>51,712</u>
<b>Total expenses</b>	<b><u>\$762,584</u></b>	<b><u>\$91,510</u></b>	<b><u>\$68,409</u></b>	<b><u>\$922,503</u></b>	<b><u>\$855,799</u></b>

The accompanying notes are an integral part of this statement.

**CHRISTIAN WORLD OUTREACH, INC.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2017 & 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$21,362	\$ 281,540
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation expense	60,689	51,712
Changes in operating assets and liabilities:		
(Increase) in gift-in-kind inventory	(1,477)	(7,287)
(Increase) decrease in prepaid expenses	22,171	(16,475)
(Decrease) increase in accounts payable	9,280	(6,185)
Increase (decrease) in accrued payroll expenses	<u>(534)</u>	<u>824</u>
Net cash flow from operating activities	111,491	304,129
 <b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Additions to certificate of deposit account	(52,189)	(101,430)
Additions to property and equipment	<u>(138,002)</u>	<u>(219,803)</u>
	(190,191)	(321,233)
 <b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(78,700)	(17,104)
 <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>489,018</u>	<u>506,122</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$410,318</u>	<u>\$489,018</u>
 <b>Supplemental disclosure of cash flow information:</b>		
Interest income – cash basis	<u>\$2,516</u>	<u>\$1,910</u>

The accompanying notes are an integral part of this statement.

## CHRISTIAN WORLD OUTREACH, INC.

Notes to Financial Statements

December 31, 2017

Note 1: Organization background and summary of significant accounting policies  
Organization background and significant accounting policies are as follows:

a. Organization background

Christian World Outreach, Inc. ("CWO"), based in Littleton, Colorado, was established as a non-profit corporation in 1997 under the laws of the State of Colorado. CWO's over-arching mission 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 officially recognized as a non-governmental organization (NGO) in Haiti, Burkina Faso and Zambia. Operations in Zimbabwe are officially recognized as a local organization under the CWO umbrella. Accordingly, these financial statements include the assets, liabilities, net assets, revenues and expenses of the field operations in these countries.

CWO relies primarily on contributions from individuals to carry out its mission.

b. Financial statement presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (USGAAP).

CWO follows the provisions of FASB ASC 958-210 "*Financial Statements of Not-for-Profit Organizations*". Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets, as follows:

Unrestricted - Resources not subject to donor-imposed restrictions.

Temporarily restricted - Resources subject to donor-imposed restrictions that will be satisfied either by the spending actions of the Organization or the passage of time. (See Note 3)

c. Revenue recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted either for future periods or for specific purposes by the donor are reported as temporarily restricted support that increases that net asset class. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(Continued)



**CHRISTIAN WORLD OUTREACH, INC.**  
Notes to Financial Statements  
December 31, 2017

Note 1: Summary of significant accounting policies (continued)

d. Cash and cash equivalents

For purposes of the statement of cash flows, CWO considers all demand and time deposits with maturities of six months or less to be cash equivalents as long as they are not legally restricted as to withdrawal. Accounts may periodically exceed federally insured limits. CWO has never experienced any losses by exceeding insured limits and believes it is not exposed to any significant credit risks regarding cash and cash equivalents.

e. Certificate of deposit account

CWO purchased a \$100,000 certificate of deposit on May 31, 2016 in order to earn higher interest on donor restricted funds that are not immediately needed for program initiatives. Another \$50,000 was added during February of 2017. The account matures on November 30, 2018 and pays an interest rate of 1.45%. The account earned interest of \$2,190 during 2017 and is restricted as to early withdrawal.

f. Donated services, use of space and other items

CWO records all services which are significant, require technical expertise certification and would have been purchased if not received via donation. There were no contributions meeting these criteria during 2017.

Similarly, donated use of space and materials are recorded at fair value if they are significant and otherwise would have been purchased. During 2017 CWO received and recorded herein under "Occupancy costs", the \$28,630 fair value of its Littleton, CO office space received from a donor's business. Additionally, \$1,477 was received and added to CWO's "Gift in-kind inventory", an asset account valued at \$25,555 at December 31, 2017, which consists of program supplies to be consumed at a future date.

g. Property and equipment

CWO follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,000 at cost. The fair value of donated assets is similarly capitalized. Expenditures for maintenance, repairs and other renewals of items are charged to expense. When items are disposed of, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is included in the results of its normal operations.

The provision for depreciation is calculated using the straight-line method over estimated useful lives ranging from 3 years for technology to 30 years for buildings. Depreciation expense for the year ended December 31, 2017 was \$60,589.

(Continued)

**CHRISTIAN WORLD OUTREACH, INC.**

Notes to Financial Statements

December 31, 2017

Note 1: Summary of significant accounting policies (continued)

h. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

i. Functional expenses

Expenses directly identified with a functional area are charged to such area. If an expense benefits more than one functional area, it is allocated based either on the time expended or another reasonable basis. As prescribed by USGAAP, fundraising revenues from special events are reported net of any direct donor benefits.

j. Tax status

CWO is exempt from federal and state income taxes under IRS Code Section 501(c)(3), has no items of unrelated business income and believes it has complied with all requirements necessary to maintain its status. Years prior to 2014 are closed for income tax examination purposes.

k. Subsequent events

Management has evaluated subsequent events through July 13, 2018, the date the auditor's opinion on these financial statements was available to be issued. No events requiring disclosure were noted.

Note 2: Foreign Operations and Contingency

Through its foreign field NGOs and the local organization under its umbrella in Zimbabwe (See Note 1a), CWO has certain assets outside the United States of America. Account balances relating to these operations are reflected herein in US dollars. As of December 31, 2017 assets in foreign countries amounted to \$1,517,307. \$33,742 of this amount was cash and cash equivalents in field office working funds and the rest was net property and equipment. There were no liabilities in foreign countries at December 31, 2017. Revenue received from foreign sources during 2017 amounted to \$18,995.

As discussed above, land and buildings with a net book value of \$1,442,519 and other fixed assets with a net book value of \$41,046 were in foreign countries at December 31, 2017. Management has reviewed these assets and determined that they are under the control and ownership of CWO. While recognized as assets of CWO herein, it should be noted that the political situation in many countries is subject to rapid change. While CWO believes the assets are reasonably stated herein, subsequent changes could occur that would adversely affect the net realizable value of the assets in other countries.

(Continued)

**CHRISTIAN WORLD OUTREACH, INC.**  
Notes to Financial Statements  
December 31, 2017

Note 3: Temporarily Restricted Net Assets  
As of December 31, 2017, CWO's \$237,272 of donor restricted net assets were available for future expenditure in the following areas:

<u>Purpose area</u>	<u>Amount</u>
Zimbabwe	\$ 186,946
Haiti	3,545
Burkina Faso	—
Zambia	10,455
Staff and missionary support, other	<u>36,326</u>
	<u>\$237,272</u>