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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, 2016, 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, 2016 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.

Highlands Ranch, Colorado
April 28, 2017

Davis & Co.
CPAs, P.C.
ASSETS

Current assets
- Cash and cash equivalents $489,018
- Certificate of deposit account 101,430
- Gift-in-kind inventory 24,078
- Prepaid expenses 22,171

Total current assets 636,697

Property and equipment
- Land and buildings 1,782,389
- Furnishings and equipment 108,207
- Vehicles 168,847
- Leasehold improvements 54,412

Total property and equipment 2,113,855

Less: Accumulated depreciation (674,499)

Net property and equipment 1,439,356

Total assets $2,076,053

LIABILITIES AND NET ASSETS

Current liabilities
- Accounts payable $6,317
- Accrued payroll expenses 6,555

Total current liabilities 12,872

Net assets
- Unrestricted 1,730,384
- Temporarily restricted 332,797

Total net assets 2,063,181

Total liabilities and net assets $2,076,053

The accompanying notes are an integral part of this statement.
CHRISTIAN WORLD OUTREACH, INC.
Statement of Activity and Changes in Net Assets
For the Year Ended December 31, 2016

Changes in unrestricted net assets:
Support and revenue
  Contributions $292,107
  Events, net of donor benefits of $26,350 38,328
  In-kind contributions 39,282
  Ministry & other income 33,241
  Total support and revenue 402,958
Net assets released from restrictions 641,423
  Total support, revenue and reclassifications 1,044,381

Functional expenses
  Program services 704,357
Supporting services
  General & administrative 85,377
  Financial development 66,065
  Total expenses 855,799
Change in unrestricted net assets 188,582

Changes in temporarily restricted net assets:
  Restricted contributions 734,381
  Net assets released from restrictions (641,423)
Change in temporarily restricted net assets 92,958

Change in net assets, all categories 281,540

Net assets, beginning of year 1,781,641

Net assets, end of year $2,063,181

The accompanying notes are an integral part of this statement.
CHRISTIAN WORLD OUTREACH, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2016

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>General &amp; Administrative</th>
<th>Financial Development</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel expenses</td>
<td>$364,206</td>
<td>$38,570</td>
<td>$44,698</td>
<td>$447,474</td>
</tr>
<tr>
<td>Occupancy costs</td>
<td>58,777</td>
<td>6,743</td>
<td>7,814</td>
<td>73,334</td>
</tr>
<tr>
<td>Client needs &amp; assistance</td>
<td>66,203</td>
<td>--</td>
<td>--</td>
<td>66,203</td>
</tr>
<tr>
<td>Travel, meetings &amp; conferences</td>
<td>59,975</td>
<td>4,875</td>
<td>5,649</td>
<td>70,499</td>
</tr>
<tr>
<td>Program supplies</td>
<td>55,325</td>
<td>--</td>
<td>--</td>
<td>55,325</td>
</tr>
<tr>
<td>Professional fees &amp; services</td>
<td>--</td>
<td>24,803</td>
<td>--</td>
<td>24,803</td>
</tr>
<tr>
<td>Equipment rental &amp; maintenance</td>
<td>17,967</td>
<td>2,501</td>
<td>2,897</td>
<td>23,365</td>
</tr>
<tr>
<td>Office supplies &amp; expenses</td>
<td>15,348</td>
<td>2,135</td>
<td>2,474</td>
<td>19,957</td>
</tr>
<tr>
<td>Telecommunications &amp; technology</td>
<td>10,585</td>
<td>1,473</td>
<td>1,707</td>
<td>13,765</td>
</tr>
<tr>
<td>Insurance, taxes &amp; other</td>
<td>7,823</td>
<td>713</td>
<td>826</td>
<td>9,362</td>
</tr>
<tr>
<td>Depreciation</td>
<td>48,148</td>
<td>3,564</td>
<td>--</td>
<td>51,712</td>
</tr>
</tbody>
</table>

Total expenses                  | $704,357         | $85,377                  | $66,065                | $855,799       |

The accompanying notes are an integral part of this statement.
CASH FLOW FROM OPERATING ACTIVITIES:
  Change in net assets $ 281,540
  Adjustments to reconcile to net cash provided by
  operating activities:
    Depreciation expense 51,712
  Changes in operating assets and liabilities:
    Increase in gift-in-kind inventory (7,287)
    Increase in prepaid expenses (16,475)
    Decrease in accounts payable 6,185
    Increase in accrued payroll expenses 824
  Net cash flow from operating activities 304,129

CASH FLOW FROM INVESTING ACTIVITIES:
  Additions to certificate of deposit account (101,430)
  Additions to property and equipment (219,803)
                           (321,233)

CHANGE IN CASH AND CASH EQUIVALENTS 17,104

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 506,122
CASH AND CASH EQUIVALENTS - END OF YEAR $489,018

Supplemental disclosure of cash flow information:
  Interest income – cash basis 1,910

The accompanying notes are an integral part of this statement.
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.

   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)
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. The account matures on August 31, 2017 and pays an interest rate of 2.45%. The account earned interest of $1,430 during 2016 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 2016.

Similarly, donated use of space and materials are recorded at fair value if they are significant and otherwise would have been purchased. During 2016 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, $3,365 of “Program supplies” were received and consumed and charged to expense. Lastly, $7,287 were received and added to CWO’s “Gift in-kind inventory”, an asset account at December 31, 2016 consisting of program supplies to be consumed in the field at a future point in time.

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, 2016 was $51,712.

(Continued)
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 2013 are closed for income tax examination purposes.

k. Subsequent events
Management has evaluated subsequent events through April 28, 2017, 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, 2016 assets in foreign countries amounted to $1,436,183. $34,471 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, 2016. Revenue received from foreign sources during 2016 amounted to $16,495.

As discussed above, land and buildings with a net book value of $1,366,946 and other fixed assets with a net book value of $34,766 were in foreign countries at December 31, 2016. 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)
Note 3: **Temporarily Restricted Net Assets**
As of December 31, 2016, CWO's $332,797 of donor restricted net assets were available for future expenditure in the following areas:

<table>
<thead>
<tr>
<th>Purpose area</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zimbabwe</td>
<td>$155,594</td>
</tr>
<tr>
<td>Haiti</td>
<td>45,935</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>63,893</td>
</tr>
<tr>
<td>Zambia</td>
<td>27,308</td>
</tr>
<tr>
<td>Staff and missionary support, other</td>
<td>40,067</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$332,797</strong></td>
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</tbody>
</table>