

Financial Statements

**God's Word to the Nations
Mission Society, Inc.**

December 31, 2017

God's Word to the Nations Mission Society, Inc.
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For the Years Ended, December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
God's Word to the Nations Mission Society, Inc.

We have audited the accompanying financial statements of God's Word to the Nations Mission Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017 and 2016, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 God's Word to the Nations Mission Society, Inc. as of December 31, 2017 and 2016, 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.

Mathews & Cripe, LLC

June 13, 2018

God's Word to the Nations Mission Society, Inc.
Statements of Financial Position
December 31, 2017 and 2016

	ASSETS	
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash	\$ 192,644	\$ 260,395
Accounts receivable (net of allowance for bad debts of \$-0- at 2017 and 2016)	36,393	5,055
Inventory	114,320	74,814
Prepaid expenses	<u>70,656</u>	<u>72,846</u>
Total current assets	<u>414,013</u>	<u>413,110</u>
PROPERTY & EQUIPMENT		
Office equipment	59,351	53,335
Less: accumulated depreciation	<u>(46,777)</u>	<u>(38,862)</u>
Net property & equipment	<u>12,574</u>	<u>14,473</u>
OTHER ASSETS	<u>18,500</u>	<u>18,500</u>
Total assets	<u><u>\$ 445,087</u></u>	<u><u>\$ 446,083</u></u>

See accountant's report and notes to the financial statements.

God's Word to the Nations Mission Society, Inc.
Statements of Financial Position
December 31, 2017 and 2016

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Accounts payable & accrued expenses	<u>\$ 209,467</u>	<u>\$ 65,790</u>
Total Current Liabilities	<u>209,467</u>	<u>65,790</u>
NET ASSETS		
Unrestricted	235,620	380,293
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>235,620</u>	<u>380,293</u>
Total Liabilities and Net Assets	<u><u>\$ 445,087</u></u>	<u><u>\$ 446,083</u></u>

See accountant's report and notes to the financial statements.

God's Word to the Nations Mission Society, Inc.**Statements of Activities****For the Years Ended, December 31, 2017 and 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2017</u>	<u>2016</u>
PUBLIC SUPPORT					
Contributions	\$ 1,242,376	\$ -	\$ -	\$ 1,242,376	\$ 1,214,430
REVENUE					
Bible & scripture portion sales	145,466	-	-	145,466	130,558
Royalties & other	182,452	-	-	182,452	208,535
	<u>327,918</u>	<u>-</u>	<u>-</u>	<u>327,918</u>	<u>339,093</u>
Total support and net revenue	<u>1,570,294</u>	<u>-</u>	<u>-</u>	<u>1,570,294</u>	<u>1,553,523</u>
EXPENSES					
Program services					
Free scripture distribution	1,028,313	-	-	1,028,313	1,119,033
Support Services					
Management	170,772	-	-	170,772	155,281
Fundraising	515,882	-	-	515,882	302,818
Total expenses	<u>1,714,967</u>	<u>-</u>	<u>-</u>	<u>1,714,967</u>	<u>1,577,132</u>
Changes in Net Assets	(144,673)	-	-	(144,673)	(23,609)
Net assets - beginning of year	<u>380,293</u>	<u>-</u>	<u>-</u>	<u>380,293</u>	<u>403,902</u>
Net assets - end of year	<u>\$ 235,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,620</u>	<u>\$ 380,293</u>

See accountants' report and notes to the financial statements.

God's Word to the Nations Mission Society, Inc.**Statements of Functional Expenses****For the Years Ended, December 31, 2017 and 2016**

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>	
	<u>Free Scripture</u>				
	<u>Distribution</u>	<u>Management</u>	<u>Fundraising</u>	<u>2017</u>	<u>2016</u>
Advertising	\$ 1,484	\$ -	\$ -	\$ 1,484	\$ 3,396
Agency fee	47,077	584	30,113	77,774	67,204
Auto & travel	7,264	-	-	7,264	7,443
Back-end marketing	20,573	255	13,160	33,988	30,494
Bad debts	-	-	-	-	-
Bank & finance charges	10,826	7,236	6,925	24,987	18,002
Promotional gifts	37,861	-	-	37,861	82,625
Contract labor	9,044	-	-	9,044	7,578
Data processing	42,968	533	27,485	70,986	62,536
Depreciation	7,915	-	-	7,915	13,589
Dues & registration	5,105	63	3,265	8,433	4,262
Employee benefits	-	57,500	-	57,500	57,500
Front-end premiums	123,980	1,538	79,306	204,824	188,980
Fulfillment	11,173	139	7,147	18,459	25,235
Insurance	9,702	-	-	9,702	6,693
Legal & accounting	34,030	31,989	21,768	87,787	74,893
Mail list management	97,441	1,209	17,132	115,782	97,016
Materials	91,919	-	-	91,919	169,235
Miscellaneous	14,262	170	8,720	23,152	12,675
Office supplies	5,297	-	-	5,297	8,115
Occupancy	31,335	-	-	31,335	30,026
Postage	167,738	2,081	107,296	277,115	216,770
Printing & production costs	231,945	2,878	193,565	428,388	316,235
Repairs & maintenance	1,604	-	-	1,604	275
Salaries & wages	-	60,000	-	60,000	60,000
Shipping & handling	17,770	-	-	17,770	10,998
Taxes	-	4,597	-	4,597	4,333
Website	-	-	-	-	1,024
Total Functional Expenses	\$ 1,028,313	\$ 170,772	\$ 515,882	\$ 1,714,967	\$ 1,577,132

See accountants' report on supplementary information.

God's Word to the Nations Mission Society, Inc.
Statement of Cash Flows
For the Years Ended, December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (144,673)	\$ (23,609)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	7,915	13,589
Net Change in:		
Accounts receivable	(31,338)	18,911
Inventory	(39,506)	76,782
Prepaid expenses	2,190	9,821
Accounts payable and accrued expenses	143,677	(134,787)
Total adjustments	<u>82,938</u>	<u>(15,684)</u>
Net Cash Provided (Used) by Operating Activities	<u>(61,735)</u>	<u>(39,293)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>(6,016)</u>	<u>(735)</u>
Net Cash Provided (Used) by Investing Activities	<u>(6,016)</u>	<u>(735)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(67,751)	(40,028)
CASH AT BEGINNING OF YEAR	<u>260,395</u>	<u>300,423</u>
CASH AT END OF YEAR	<u>\$ 192,644</u>	<u>\$ 260,395</u>
SUPPLEMENTAL DISCLOSURES		
Cash Paid During the Year for:		
Interest	<u>\$ -</u>	<u>\$ -</u>

See accountants' report and notes to the financial statements.

God's Word to the Nations Mission Society, Inc.

Notes to Financial Statements

For the Years Ended, December 31, 2017 and 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

God's Word to the Nations Mission Society, Inc. (the Organization) distributes bibles and scripture portions at no cost to U.S. military troops stationed both within the continental United States and abroad; as well as to First Responders, inner city bible clubs, abused women and children facilities, homeless shelters, various outreach activities in Appalachia; and ministries in prison, jail and juvenile correctional facilities throughout the United States. The Organization also sells bibles and scripture portions to the general public. The Organization's primary support is from direct-mail donor contributions.

BASIS OF PRESENTATION

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended, December 31, 2016, from which summarized information was derived.

CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all highly-liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are reported at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

PROPERTY AND EQUIPMENT

Property and equipment are carried at cost, less accumulated depreciation. The Organization follows the practice of capitalizing all expenditures for property, furniture, fixtures and office equipment in excess of \$500. Lesser amounts are expended. Depreciation is provided using both accelerated and straight-line methods based upon the estimated useful lives of the asset.

God's Word to the Nations Mission Society, Inc.
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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Furniture, fixtures, equipment and vehicles are depreciated over 5-7 years. Leasehold improvements are depreciated using the straight-line method over 39 years.

COLLECTIONS

Accessions of these collection items by the Organization are capitalized at cost, if the items were purchased, or at their fair value on the accession date, if the items were contributed. Gains or losses from deaccessions of these items are reflected on the statement of activities as changes in the appropriate net asset classes, depending on the existence and type of donor-imposed restrictions.

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's forms 990, *Return of Organization Exempt from Income Tax*, for the years 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed.

COSTS OF JOINT ACTIVITIES

FASB ASC 958-720-50-2, "*Accounting for Costs of Activities That Include Fund Raising*", establishes accounting standards for recording costs associated with joint activities (activities which are part fundraising and have elements of one or more other functions, such as program or general and administrative). The pronouncement requires that the criteria of purpose, audience and content be met in order to allocate any portion of the costs of joint activities to a functional area other than fundraising.

SHIPPING COSTS

The Organization includes shipping costs in program services. Total shipping costs were \$10,998 and \$11,358 for the years ended, December 31, 2017 and 2016, respectively.

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense was \$1,484 and \$3,396 for the years ended, December 31, 2017 and 2016, respectively.

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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENT NOT YET IMPLEMENTED

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities.

The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments.

The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Organization's financial statements for fiscal years beginning after December 15, 2017, it is not expected to alter the Organization's financial position.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the current year presentation.

B. INVENTORY

Inventory is stated at cost and consisted of the following:

	<u>2017</u>	<u>2016</u>
Bible & scripture portion inventory (direct mail response)	\$ 4,123	\$ 8,947
Bible & scripture inventory	110,197	65,867
	<u>\$ 114,320</u>	<u>\$ 74,814</u>

God's Word to the Nations Mission Society, Inc.

Notes to Financial Statements

For the Years Ended, December 31, 2017 and 2016

C. OTHER ASSETS

Other assets are stated at their donated value and consisted of the following:

	<u>2017</u>	<u>2016</u>
Donated artifacts and collectibles	\$ 18,500	\$ 18,500

D. CONTINGENCY

The Organization maintains cash balances at various financial institutions. Cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor per insured financial institution. Amounts in excess of insured limits were \$-0- and \$-0- at December 31, 2017 and 2016, respectively.

E. ALLOCATION OF JOINT ACTIVITIES

During the years ended, December 31, 2017 and 2016, the Organization incurred joint costs of approximately \$1,332,373 and \$1,090,843 respectively, for printing, postage and related costs primarily related to fundraising appeals. Pursuant to FASB ASC 958-720-50-2, these costs were allocated to the functional areas as follows:

	<u>2017</u>	<u>2016</u>
Program Services - Free scripture distribution	\$ 806,486	\$ 773,331

F. COMPENSATED ABSENCES

Full-time employees of the Organization are entitled to paid vacation and sick days, depending on length of service and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

G. OPERATING LEASE OBLIGATIONS

The Organization leases an office suite in Orange Park, Florida. The lease term is month-to-month at a monthly rent of \$1,012. Total rent expense related to this lease was \$12,204 and \$10,920 for the years ended, December 31, 2017 and 2016, respectively.

The Organization also leases inventory warehouse space in Cleveland, Ohio and Fleming Island, Florida. The lease terms are month-to-month with monthly rents ranging from \$448 to

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G. OPERATING LEASE OBLIGATIONS (continued)

\$460. Total rent expense related to these leases was \$11,502 and \$11,732 for the years ended, December 31, 2017 and 2016, respectively.

H. RETIREMENT PLAN

The Organization maintains a 403(b) savings plan for all full-time employees, subject to Internal Revenue Service contribution limitations. Employer contributions were \$57,500 and \$57,500 for the years ended, December 31, 2017 and 2016, respectively.

I. CONCENTRATION

Approximately 79% of the Organization's revenue is derived from the fundraising efforts of a professional fundraising company used by the organization. In the event the professional fundraising company no longer services the Organization, the current level of the Organization's program services and operations would be negatively impacted.

At December 31, 2017, there is no provision in the financial statements for such an event, as a reasonable estimate cannot be made and no losses are anticipated.

J. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 13, 2018, the date which the financial statements were available to be issued.