

Financial Statements

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

December 31, 2016

God's Word to the Nations Mission Society, Inc.
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For the Years Ended, December 31, 2016 and 2015

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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, 2016 and 2015, 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 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.

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, 2016 and 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Mathews & Cripe, LLC

May 31, 2017

God's Word to the Nations Mission Society, Inc.
Statements of Financial Position
December 31, 2016 and 2015

	ASSETS	
	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 260,395	\$ 300,423
Accounts receivable (net of allowance for bad debts of \$-0- at 2016 and 2015)	5,055	23,966
Inventory	74,814	151,596
Prepaid expenses	<u>72,846</u>	<u>82,666</u>
Total current assets	<u>413,110</u>	<u>558,651</u>
PROPERTY & EQUIPMENT		
Office equipment	53,335	52,600
Less: accumulated depreciation	<u>(38,862)</u>	<u>(25,272)</u>
Net property & equipment	<u>14,473</u>	<u>27,328</u>
OTHER ASSETS	<u>18,500</u>	<u>18,500</u>
Total assets	<u><u>\$ 446,083</u></u>	<u><u>\$ 604,479</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, 2016 and 2015

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Accounts payable & accrued expenses	<u>\$ 65,790</u>	<u>\$ 200,577</u>
Total Current Liabilities	<u>65,790</u>	<u>200,577</u>
NET ASSETS		
Unrestricted	380,293	403,902
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>380,293</u>	<u>403,902</u>
Total Liabilities and Net Assets	<u><u>\$ 446,083</u></u>	<u><u>\$ 604,479</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, 2016 and 2015**

				Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted	2016	2015
PUBLIC SUPPORT					
Contributions	\$ 1,214,430	\$ -	\$ -	\$ 1,214,430	\$ 1,405,424
REVENUE					
Bible & scripture portion sales	130,558	-	-	130,558	253,292
Royalties & other	208,535	-	-	208,535	259,651
	<u>339,093</u>	<u>-</u>	<u>-</u>	<u>339,093</u>	<u>512,943</u>
Total support and net revenue	<u>1,553,523</u>	<u>-</u>	<u>-</u>	<u>1,553,523</u>	<u>1,918,367</u>
EXPENSES					
Program services					
Free scripture distribution	1,111,455	-	-	1,111,455	1,298,689
Support Services					
Management	162,859	-	-	162,859	156,992
Fundraising	302,818	-	-	302,818	370,952
Total expenses	<u>1,577,132</u>	<u>-</u>	<u>-</u>	<u>1,577,132</u>	<u>1,826,633</u>
Changes in Net Assets	(23,609)	-	-	(23,609)	91,734
Net assets - beginning of year	<u>403,902</u>	<u>-</u>	<u>-</u>	<u>403,902</u>	<u>312,168</u>
Net assets - end of year	<u>\$ 380,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380,293</u>	<u>\$ 403,902</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, 2016 and 2015**

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>	
	<u>Free Scripture Distribution</u>	<u>Management</u>	<u>Fundraising</u>	<u>2016</u>	<u>2015</u>
Advertising	\$ 3,396	\$ -	\$ -	\$ 3,396	\$ 1,350
Agency fee	47,643	905	18,656	67,204	93,407
Auto & travel	7,443	-	-	7,443	10,965
Back-end marketing	21,618	411	8,465	30,494	44,732
Bad debts	-	-	-	-	254
Bank & finance charges	11,440	2,082	4,480	18,002	16,650
Promotional gifts	82,625	-	-	82,625	74,740
Contract labor	-	7,578	-	7,578	7,012
Data processing	44,334	842	17,360	62,536	83,326
Depreciation	13,589	-	-	13,589	11,752
Dues & registration	3,022	57	1,183	4,262	6,997
Employee benefits	-	57,500	-	57,500	57,500
Front-end premiums	133,973	2,546	52,461	188,980	45,743
Fulfillment	17,890	340	7,005	25,235	23,037
Insurance	6,693	-	-	6,693	2,952
Legal & accounting	41,121	17,670	16,102	74,893	85,394
Mail list management	86,713	1,648	8,655	97,016	158,128
Materials	169,235	-	-	169,235	67,681
Miscellaneous	10,355	108	2,212	12,675	8,649
Office supplies	8,115	-	-	8,115	3,022
Occupancy	30,026	-	-	30,026	32,071
Postage	153,675	2,920	60,175	216,770	376,553
Printing & production costs	206,252	3,919	106,064	316,235	536,451
Repairs & maintenance	275	-	-	275	466
Salaries & wages	-	60,000	-	60,000	60,000
Shipping & handling	10,998	-	-	10,998	11,357
Taxes	-	4,333	-	4,333	4,619
Website	1,024	-	-	1,024	1,825
Total Functional Expenses	\$ 1,111,456	\$ 162,859	\$ 302,818	\$ 1,577,132	\$ 1,826,633

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, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (23,609)	\$ 91,734
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	13,589	11,752
Net Change in:		
Accounts receivable	18,911	(21,933)
Inventory	76,782	(51,399)
Prepaid expenses	9,820	10,914
Accounts payable and accrued expenses	(134,787)	52,789
Total adjustments	<u>(15,685)</u>	<u>2,123</u>
Net Cash Provided (Used) by Operating Activities	<u>(39,294)</u>	<u>93,857</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>(735)</u>	<u>(11,161)</u>
Net Cash Provided (Used) by Investing Activities	<u>(734)</u>	<u>(11,161)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(40,028)	82,696
CASH AT BEGINNING OF YEAR	<u>300,423</u>	<u>217,727</u>
CASH AT END OF YEAR	<u>\$ 260,395</u>	<u>\$ 300,423</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, 2016 and 2015

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.

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. Depreciation is provided using both accelerated and straight-line methods based upon the estimated useful lives of the asset. Furniture, fixtures, equipment and vehicles are depreciated over 5-7 years. Leasehold improvements are depreciated using the straight-line method over 39 years.

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 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they were filed.

God’s Word to the Nations Mission Society, Inc.
Notes to Financial Statements
For the Years Ended, December 31, 2016 and 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2016 and 2015, respectively.

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense was \$3,396 and \$1,350 for the years ended, December 31, 2016 and 2015, respectively.

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.

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>2016</u>	<u>2015</u>
Bible & scripture portion inventory (direct mail response)	\$ 8,947	\$ 19,069
Bible & scripture inventory	65,867	132,527
	<u>\$ 74,814</u>	<u>\$ 151,596</u>

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C. OTHER ASSETS

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

	<u>2016</u>	<u>2015</u>
Donated artifacts and collectibles	<u>\$ 18,500</u>	<u>\$ 18,500</u>

D. ALLOCATION OF JOINT ACTIVITIES

During the years ended, December 31, 2016 and 2015, the Organization incurred joint costs of approximately \$1,090,843 and \$1,450,560 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>2016</u>	<u>2015</u>
Program Services - Free scripture distribution	<u>\$ 773,331</u>	<u>\$ 1,066,843</u>

E. 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, 2016 and 2015, respectively.

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 two office suites in Orange Park, Florida. The lease terms are month-to-month at a monthly rent of \$987. Total rent expense related to this lease was \$11,845 and \$11,997 for the years ended, December 31, 2016 and 2015, respectively.

God's Word to the Nations Mission Society, Inc.
Notes to Financial Statements
For the Years Ended, December 31, 2016 and 2015

G. OPERATING LEASE OBLIGATIONS (continued)

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 \$486 to \$492. Total rent expense related to these leases was \$11,502 and \$11,732 for the years ended, December 31, 2016 and 2015, 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, 2016 and 2015, respectively.

I. CONCENTRATION

Approximately 86% 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, 2016, 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 May 31, 2017, the date which the financial statements were available to be issued.