

GOD'S CHILD PROJECT
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

TABLE OF CONTENTS

PAGE NO.

INDEPENDENT AUDITORS' REPORT3

FINANCIAL STATEMENTS

 Statements of Financial Position..... 4

 Statement of Activities.....5

 Statements of Cash Flows.....6

 Notes to Financial Statements.....7

SUPPLEMENTARY INFORMATION

 Schedule of Functional Expenses12

10025 Governor Warfield Parkway
Suite 108
Columbia, MD 21044

Phone: 410-772-8090
Fax: 410-772-8098
Toll Free: 888-432-2351

BGCKO

Betz, Goldman, Clearfield, Kramer & Ocampo, LLP

Certified Public Accountants

E-Mail: Info@bgckocpa.com
www.bgckocpa.com

Stuart I. Goldman, CPA

sgoldman@bgckocpa.com

Adam M. Clearfield, CPA

aclearfield@bgckocpa.com

Michael J. Ocampo, CPA

mocampo@bgckocpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
God's Child Project
Minneapolis, MN

We have audited the accompanying financial statements of the God's Child Project (a non-profit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and 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 the God's Child Project as of June 30, 2015 and 2014 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material aspects in relation to the financial statements as a whole.

Betz Goldman Clearfield Kramer & Ocampo LLP
Columbia, MD
February 9, 2016

**GOD'S CHILD PROJECT
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash	\$ 668,897	\$ 4,550
Accounts Receivable	44,229	56,109
Due from Others	130,000	-
Prepaid Expenses	3,602	12,631
Inventory	58,281	19,208
Security Deposits	<u>2,347</u>	<u>2,347</u>
TOTAL CURRENT ASSETS	<u>907,356</u>	<u>94,845</u>
 PROPERTY AND EQUIPMENT	 27,315	 27,315
Less: Accumulated Depreciation	<u>20,690</u>	<u>17,156</u>
	<u>6,625</u>	<u>10,159</u>
 TOTAL ASSETS	 <u>\$ 913,981</u>	 <u>\$ 105,004</u>
 CURRENT LIABILITIES		
Accounts Payable	\$ 33,760	\$ 168,512
Sales Tax Payable	43	30
Accrued Payroll	<u>16,819</u>	<u>17,348</u>
TOTAL CURRENT LIABILITIES	<u>50,622</u>	<u>185,890</u>
 LOAN PAYABLE - OFFICER	 <u>43,026</u>	 <u>90,753</u>
TOTAL LIABILITIES	<u>93,648</u>	<u>276,643</u>
 NET ASSETS (DEFICIT)		
Unrestricted	(223,068)	(171,639)
Temporarily Restricted	<u>1,043,401</u>	<u>-</u>
TOTAL NET ASSETS (DEFICIT)	<u>820,333</u>	<u>(171,639)</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 913,981</u>	 <u>\$ 105,004</u>

The accompanying notes are an integral part of the financial statements.

**GOD'S CHILD PROJECT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

CHANGES IN NET ASSETS	UNRESTRICTED	TEMPORARILY RESTRICTED	2015 TOTAL	2014 TOTAL
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES, GAINS AND OTHER SUPPORT				
Contributions - Cash	\$ 1,305,203	\$ 1,192,697	\$ 2,497,900	\$ 1,718,956
Contributions - Noncash	290,798	-	290,798	361,638
Fundraising	540,396	-	540,396	592,756
Interest Income	123	-	123	21
Loss on Sale of Investment	(658)	-	(658)	(68)
Miscellaneous	11,862	-	11,862	5,645
Net Assets Released from Restrictions	149,296	(149,296)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>2,297,020</u>	<u>1,043,401</u>	<u>3,340,421</u>	<u>2,678,948</u>
EXPENSES				
Program Services	2,042,256	-	2,042,256	2,504,042
Management and General	118,785	-	118,785	137,927
Fundraising	187,408	-	187,408	162,300
TOTAL EXPENSES	<u>2,348,449</u>	<u>-</u>	<u>2,348,449</u>	<u>2,804,269</u>
NET INCREASE (DECREASE) IN NET ASSETS	(51,429)	1,043,401	991,972	(125,321)
NET DEFICIT - BEGINNING	<u>(171,639)</u>	<u>-</u>	<u>(171,639)</u>	<u>(46,318)</u>
NET ASSETS (DEFICIT) - ENDING	<u>\$ (223,068)</u>	<u>\$ 1,043,401</u>	<u>\$ 820,333</u>	<u>\$ (171,639)</u>

The accompanying notes are an integral part of the financial statements.

**GOD'S CHILD PROJECT
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 991,972	\$ (125,321)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	3,534	2,549
Loss on Sale of Investments	658	68
(Increase) Decrease in:		
Accounts Receivable	(118,120)	(54,657)
Prepaid Expenses	9,029	(10,526)
Inventory	(39,073)	(10,325)
Increase (Decrease) in:		
Accounts Payable	(134,752)	96,469
Sales Tax Payable	13	(98)
Accrued Payroll	(529)	17,348
	<u>712,732</u>	<u>(84,493)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	-	(9,691)
Purchase of Investments	(18,093)	(460)
Sale of Investments	17,435	392
	<u>(658)</u>	<u>(9,759)</u>
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change - Loan Payable Officer	(47,727)	4,322
Net Change - Note Payable	-	(51,852)
	<u>(47,727)</u>	<u>(47,530)</u>
NET CASH USED BY INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	664,347	(141,782)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,550</u>	<u>146,332</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 668,897</u>	<u>\$ 4,550</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest Paid	<u>\$ 4,477</u>	<u>\$ 5,734</u>

The accompanying notes are an integral part of the financial statements.

**GOD'S CHILD PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

God's Child Project researches, develops, implements and fundraises for education, health-care and poverty relief programs in Guatemala, El Salvador, Malawi, Africa, and the United States.

Subsequent Events:

In the normal course of preparing the Organization's financial statements, management reviews events that occur after the statement of financial position dated June 30, 2015 for potential recognition or disclosure in the financial statements. Management has evaluated subsequent events through February 9, 2016, which is the date the financial statements were available to be issued.

Method of Accounting:

The Organization's financial statements have been prepared on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

Financial Statement Presentation:

The net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that may/or will be met, either by actions of the Organization and/or the passage of time.

Use of 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.

Cash and Cash Equivalents:

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable:

God's Child considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

**GOD'S CHILD PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(CONTINUED)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment:

Property and equipment are carried at cost. Depreciation of property and equipment is provided using the accelerated method for financial reporting purposes at rates based on the following estimated useful lives:

	<u>YEARS</u>
Vehicles	5
Furniture	7
Office Equipment	5
Leasehold Improvements	15

NOTE B – REPORTING ENTITY

The Organization is the major contributor to several nonprofit organizations in Guatemala, India, and Malawi and has a controlling interest in a separate nonprofit organization, DOMUS, which was formed to promote world housing concerns, which owns land and buildings used in Guatemala by the Association Nuestros Ahijados. Although this organization is a separate legal entity, the operations and management of this organization are controlled by a majority of the same individuals. DOMUS and the God's Child Project have the same Board of Directors.

The financial statements do not include the financial information of this other entity.

NOTE C – LEASING COMMITMENTS

The Organization entered into various agreements to lease office space until the year ending June 30, 2017. The Organization also signed a lease for an automobile requiring 36 payments ending June 14, 2018. The following is a schedule of minimum rental payments as of June 30, 2015:

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ 73,986
2017	60,577
2018	4,715
	<u>\$ 139,278</u>

NOTE D – NONCASH CONTRIBUTIONS

Donations of noncash items are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

GOD'S CHILD PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(CONTINUED)

NOTE E – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE F – PROPERTY AND EQUIPMENT, NET

Property and equipment are summarized as follows:

	<u>2015</u>	<u>2014</u>
Vehicle	\$ 12,998	\$ 12,998
Furniture	850	850
Leasehold Improvements	3,102	3,102
Office Equipment	<u>10,365</u>	<u>10,365</u>
Total Property and Equipment	27,315	27,315
Less: Accumulated Depreciation	<u>20,690</u>	<u>17,156</u>
	<u>\$ 6,625</u>	<u>\$ 10,159</u>

Depreciation expense was \$3,534 and \$2,549 for the years ended June 30, 2015 and 2014, respectively.

NOTE G – RECLASSIFICATION

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

NOTE H – INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization does not have any income from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's Return of Organization Exempt from Income Tax (Form 990) for the years ended June 30, 2015, 2014 and 2013 are subject to examination, generally for three years after they were filed.

**GOD'S CHILD PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(CONTINUED)**

NOTE I – RELATED PARTIES

An adjustment to prior years was recorded on June 30, 2014 due to an outstanding liability to the Executive Director. The loan from underpayment of wages was last listed in the financial statements in 2005, and was incorrectly removed by a predecessor auditor. The loan balance from 2005 was adjusted for 5.00% interest, agreed to by the Board. The balance on this loan was \$43,026 and \$90,753 for the years ended June 30, 2015 and 2014, respectively. In addition, monies are due from DOMUS. The balance outstanding is \$130,000 as of June 30, 2015.

NOTE J – LINE OF CREDIT

The Organization has a \$25,000 line of credit arrangement with US Bank. Interest payable is a variable rate, presently 7.25%. As of June 30, 2015, \$25,000 is unused and available on this line of credit.

**SUPPLEMENTARY
INFORMATION**

**GOD'S CHILD PROJECT
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

	<u>PROGRAM</u>	<u>MANAGEMENT</u>	<u>FUNDRAISING</u>	<u>2015 TOTAL</u>	<u>2014 TOTAL</u>
Advertising	\$ 8,761	\$ 16,062	\$ 4,381	\$ 29,204	\$ 46,541
Bank and Credit Card Fees	511	624	1,393	2,528	1,977
Clothing and Supplies - Guatemala	289,340	-	-	289,340	361,638
Collection Fees	12,053	851	1,276	14,180	13,554
Contracted Services/Labor	-	-	-	-	154,416
Depreciation	3,534	-	-	3,534	2,549
Dues and Subscriptions	3,221	227	341	3,789	3,473
Employee Benefits	30,581	4,044	3,242	37,867	22,889
Fundraising	-	-	100,641	100,641	79,362
Insurance	7,848	9,810	1,961	19,619	5,789
Interest	2,239	2,238	-	4,477	5,734
Moving Expense	677	679	-	1,356	414
Office Expense	61,060	4,310	6,466	71,836	72,853
Operating Expenses - Other Countries	3,091	-	-	3,091	16,625
Other Donations	824,537	-	-	824,537	1,323,016
Payroll	317,228	41,951	33,624	392,803	216,554
Payroll Fees	13,580	1,796	1,439	16,815	10,033
Payroll Taxes	31,024	4,103	3,288	38,415	13,457
Postage and Shipping	6,767	2,461	3,075	12,303	29,150
Professional Fees	51,061	14,589	7,294	72,944	58,289
Rent	101,676	7,177	10,766	119,619	73,193
Repairs and Maintenance	4,293	1,227	613	6,133	2,444
Service Team	200,187	-	-	200,187	150,912
Supplies	-	-	-	-	29,000
Telephone and Internet	7,398	2,114	1,057	10,569	16,490
Training	-	-	-	-	24,300
Travel	60,778	4,290	6,436	71,504	69,458
Utilities	811	232	115	1,158	159
	<u>\$ 2,042,256</u>	<u>\$ 118,785</u>	<u>\$ 187,408</u>	<u>\$ 2,348,449</u>	<u>\$ 2,804,269</u>

The accompanying notes are an integral part of the financial statements.