

COMPASS – FINANCES GOD’S WAY, INC.

Altamonte Springs, Florida

FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013



**AVERETT
WARMUS
DURKEE**

Certified Public Accountants and Business Advisors

COMPASS – FINANCES GOD’S WAY, INC.

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Certified Public Accountants and Business Advisors

Independent Auditors' Report

To the Board of Directors
Compass – Finances God's Way, Inc.
Sanford, Florida

We have audited the accompanying financial statements of Compass – Finances God's Way, Inc. (a not-for-profit organization) (the "Organization"), which comprise the statements of financial position as of December 31, 2014 and 2013, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 audits 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 auditors' 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 auditors consider internal control relevant to the Organization'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 Organization'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.

To the Board of Directors
Compass – Finances God’s Way, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Compass – Finances God’s Way, Inc. as of December 31, 2014 and 2013, 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.

Aurett Warmus Durkee

Orlando, Florida
September 9, 2015

COMPASS – FINANCES GOD’S WAY, INC.

Statements of Financial Position
December 31, 2014 and 2013

Assets	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash and cash equivalents	\$ 468,716	\$ 546,208
Accounts receivable	299	1,372
Inventories	97,190	50,676
Prepaid expenses	1,813	1,900
Total current assets	<u>568,018</u>	<u>600,156</u>
Property and Equipment:		
Vehicle	5,820	5,820
Furniture and equipment	10,706	9,400
	<u>16,526</u>	<u>15,220</u>
Less accumulated depreciation	(9,983)	(6,678)
Property and equipment, net	<u>6,543</u>	<u>8,542</u>
Other Assets	<u>2,066</u>	<u>-</u>
Total assets	<u>\$ 576,627</u>	<u>\$ 608,698</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 56,033	\$ 40,360
Contributions held for others	10,700	17,243
Total current liabilities	<u>66,733</u>	<u>57,603</u>
Net Assets:		
Unrestricted	222,084	140,968
Temporarily restricted	287,810	410,127
Total net assets	<u>509,894</u>	<u>551,095</u>
Total liabilities and net assets	<u>\$ 576,627</u>	<u>\$ 608,698</u>

See accompanying notes.

COMPASS – FINANCES GOD’S WAY, INC.

**Statements of Activities
Years Ended December 31, 2014 and 2013**

	2014			2013		
	Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted	
		Total	Total		Total	Total
Revenue and Other Support:						
Revenue	\$ 184,300	\$ -	\$ 184,300	\$ 131,281	\$ -	\$ 131,281
Contributions	716,700	195,744	912,444	499,200	356,730	855,930
Grants	-	332,000	332,000	-	330,000	330,000
In-kind contributions	4,209,800	-	4,209,800	3,778,740	-	3,778,740
Net assets released from restrictions	650,061	(650,061)	-	564,066	(564,066)	-
Total revenue and other support	<u>5,760,861</u>	<u>(122,317)</u>	<u>5,638,544</u>	<u>4,973,287</u>	<u>122,664</u>	<u>5,095,951</u>
Expenses:						
Program services	5,647,262	-	5,647,262	5,177,132	-	5,177,132
Management and general	32,483	-	32,483	37,545	-	37,545
Total expenses	<u>5,679,745</u>	<u>-</u>	<u>5,679,745</u>	<u>5,214,677</u>	<u>-</u>	<u>5,214,677</u>
Increase (Decrease) in Net Assets	81,116	(122,317)	(41,201)	(241,390)	122,664	(118,726)
Net Assets, beginning of year	<u>140,968</u>	<u>410,127</u>	<u>551,095</u>	<u>382,358</u>	<u>287,463</u>	<u>669,821</u>
Net Assets, end of year	<u>\$ 222,084</u>	<u>\$ 287,810</u>	<u>\$ 509,894</u>	<u>\$ 140,968</u>	<u>\$ 410,127</u>	<u>\$ 551,095</u>

See accompanying notes.

COMPASS – FINANCES GOD’S WAY, INC.

**Statements of Cash Flows
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities:		
Cash received from supporters and customers	\$ 1,423,274	\$ 1,307,769
Cash paid to suppliers and employees	<u>(1,499,460)</u>	<u>(1,402,320)</u>
Net cash used in operating activities	<u>(76,186)</u>	<u>(94,551)</u>
Cash Flows From Investing Activities:		
Cash paid for the purchase of property and equipment	<u>(1,306)</u>	<u>(5,433)</u>
Net Decrease in Cash and Cash Equivalents	(77,492)	(99,984)
Cash and Cash Equivalents, beginning of year	<u>546,208</u>	<u>646,192</u>
Cash and Cash Equivalents, end of year	<u>\$ 468,716</u>	<u>\$ 546,208</u>
Reconciliation of Decrease in Net Assets to Net Cash Used in Operating Activities:		
Decrease in net assets	\$ (41,201)	\$ (118,726)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	3,305	2,517
Changes in assets and liabilities:		
Accounts receivable	1,073	3,310
Inventories	(46,514)	27,232
Prepaid expenses	87	(1,260)
Other assets	(2,066)	-
Accounts payable and accrued expenses	15,673	5,128
Contributions held for others	<u>(6,543)</u>	<u>(12,752)</u>
Net cash used in operating activities	<u>\$ (76,186)</u>	<u>\$ (94,551)</u>

See accompanying notes.

COMPASS – FINANCES GOD’S WAY, INC.

Notes to Financial Statements December 31, 2014 and 2013

1. Summary of Significant Accounting Policies:

Nature of Operations

Compass – Finances God’s Way, Inc. (the “Organization”) is a global evangelical organization committed to teaching the gospel of Jesus Christ and God’s way of handling money as revealed in the Bible. In order to fulfill the mission, the Organization uses a variety of methods including small group studies organized within churches and radio broadcasts. The Organization is supported by contributions from persons interested in extending the mission. The administrative offices are located in Sanford, Florida.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed stipulations. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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

Temporarily restricted – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. At December 31, 2014 and 2013, there were no permanently restricted net assets.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. The Organization has exposure to credit risk to the extent that its interest bearing cash and cash equivalents exceed amounts covered by federal deposit insurance. At December 31, 2014 and 2013, approximately 53% and 82%, respectively, of the Organization’s cash and cash equivalents were insured.

Accounts Receivable

Accounts receivable are stated at net realizable value. Accounts are considered past due after 30 days. Management evaluates account balances on a case-by-case basis and only writes off balances once all collection efforts have been exhausted. In determining whether or not to recognize an allowance for doubtful accounts, management makes a judgmental determination based on an evaluation of the facts and circumstances related to each account. At December 31, 2014 and 2013, there was no allowance for doubtful accounts.

COMPASS – FINANCES GOD’S WAY, INC.

Notes to Financial Statements – Continued December 31, 2014 and 2013

1. Summary of Significant Accounting Policies – Continued:

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the average cost method method.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. The cost of property and equipment purchased in excess of \$500 is capitalized. Additions and betterments are capitalized while maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. The cost of contributed assets is determined based on the fair value at the date of contribution. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is recorded using the straight-line method over estimated useful lives of five years.

Contributions Held for Others

The Organization collects contributions on behalf of ministries that choose to affiliate with the programs and mission. These contributions are not recognized as revenue, but are classified as liabilities, and payments to the affiliates are classified as reductions of the related liability.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are considered available for the Organization’s general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due within one-year are recorded at their net realizable value. Unconditional promises to give due after one-year are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

In-Kind Contributions

In-kind contributions of materials used in programs are recorded as support and expense at the estimated fair value of the materials.

Contributions of services are recorded if the services received (1) create or enhance nonfinancial assets or (2) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Allocation of Supporting Services Expenses

The Organization’s policy is to allocate that part of the supporting services expenses associated with programs to the individual programs, based on each program’s direct cost to total costs.

COMPASS – FINANCES GOD’S WAY, INC.

Notes to Financial Statements – Continued
December 31, 2014 and 2013

1. Summary of Significant Accounting Policies – Continued:

Income Taxes

The Organization is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Under those provisions, the Organization does not pay federal corporate income taxes on its taxable income. Accordingly, there is no provision for income tax in the accompanying financial statements.

Accounting principles generally accepted in the United States of America relating to accounting for uncertainty in income taxes set out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. While management believes it has complied fully with the Internal Revenue Code, the sustainability of some income tax positions taken by the Organization in its tax returns may be uncertain.

There are minimum thresholds of likelihood that uncertain tax positions are required to meet before being recognized and disclosed in the financial statements. The Organization’s status as an organization exempt from income taxes under the provisions of Section 501(c)(3) is defined as a tax position under the accounting guidance. If the Organization were to lose its tax-exempt status, an income tax provision would be required, and the matters discussed in the above paragraph could impact the amount of such a provision.

In addition, should an unsustainable position result in interest and penalties, they would be treated as a component of income tax expense. Management is not aware of any uncertain tax positions that would have a material effect on the Organization’s financial statements at December 31, 2014 and 2013.

The Organization is subject to routine audits by the Internal Revenue Service; however, there are no audits for any tax periods in progress. The periods that remain open to examination under federal statute are 2011 through 2014.

Subsequent Events

Management has evaluated subsequent events through September 9, 2015, the date which the financial statements were available to be issued.

2. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Publication of material for small group studies	\$ 189,394	\$ 326,142
Ministry support for individuals	<u>98,416</u>	<u>83,985</u>
	<u>\$ 287,810</u>	<u>\$ 410,127</u>

COMPASS – FINANCES GOD’S WAY, INC.

**Notes to Financial Statements – Continued
December 31, 2014 and 2013**

3. Concentrations:

The following table summarizes donors whose contributions exceeded 10% of the Organization’s total contribution income for the years ended December 31, 2014 and 2013:

	2014	2013
Donor A	12 %	- %
Donor B	12	*
Donor C	-	21
Donor D	*	17
	24 %	38 %

* Contribution income did not exceed 10% of the Organization’s total contribution income.

4. In-Kind Contributions:

The Organization recognized the following as both in-kind contributions and program services expense on the statements of activities for the years ended December 31, 2014 and 2013:

	2014	2013
Donated radio airtime	\$ 4,193,912	\$ 3,759,600
Donated office space	12,760	19,140
Other	3,128	-
	\$ 4,209,800	\$ 3,778,740

5. Leasing Activity:

The Organization leases office space under both a long-term agreement that expires August 2016, and a short-term agreement which is generally renewed from year to year. Total rent expense, excluding donated office space, under all operating leases, including month-to-month rentals, was \$9,500 in 2014. There was no rent expense in 2013.

Future minimum rental payments for leases with initial or remaining lease terms in excess of one-year as of December 31, 2014, are as follows:

Year Ending December 31,		
2015	\$	22,040
2016		15,080
	\$	37,120