

**OUTREACH, INC.**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**Years Ended  
December 31, 2013 and 2012**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Outreach, Inc.  
Union, Iowa

We have audited the accompanying financial statements of Outreach, Inc. (the "Organization") (a nonprofit organization) which comprise the statements of financial position as of December 31, 2013 and 2012, 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 Outreach, Inc. as of December 31, 2013 and 2012, 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 statements of functional expenses on pages 15 and 16 are presented for purposes of additional analysis and are 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 respects in relation to the financial statements as a whole.

*Myslajek Kemp & Spencer, Ltd.*

Minneapolis, Minnesota  
November 10, 2014

**OUTREACH, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 463,858	\$ 132,819
Certificates of deposit	323,467	571,356
Accounts receivable	306,993	284,952
Inventory	497,559	815,895
Prepaid expenses	7,958	-
	1,599,835	1,805,022
<b>Property and equipment, net</b>	1,401,120	577,934
<b>Deposit</b>	127,201	95,853
<b>Other asset</b>	21,606	10,000
	\$ 3,149,762	\$ 2,488,809
	\$ 3,149,762	\$ 2,488,809
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 25,796	\$ 16,539
Accrued expenses	31,417	7,882
Accrued expenses - related party	67,346	73,588
	124,559	98,009
<b>Total current liabilities</b>	124,559	98,009
<b>Long-term debt - related party</b>	500,000	-
<b>Commitments and contingencies</b>	-	-
<b>Net assets</b>		
Unrestricted	2,520,328	2,370,693
Temporarily restricted	4,875	20,107
	2,525,203	2,390,800
<b>Total net assets</b>	2,525,203	2,390,800
	\$ 3,149,762	\$ 2,488,809

See accompanying notes to financial statements.

**OUTREACH, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2013**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
In-kind contributions	\$ 2,966,545	\$ -	\$ 2,966,545
Cash contributions	137,357	4,875	142,232
Sales of crafts, meals, and coffee	4,455,225	-	4,455,225
Interest	5,804	-	5,804
Miscellaneous income	41,690		41,690
 Total support and revenue	 7,606,621	 4,875	 7,611,496
<b>EXPENSES</b>			
Program services			
Education program Tanzania	88,354	-	88,354
Medical program Tanzania	2,776,966	-	2,776,966
Meals and water program Tanzania	4,064,273	-	4,064,273
 Total program services	 6,929,593	 -	 6,929,593
Supporting services			
Management and general	443,189	-	443,189
Fundraising	104,311	-	104,311
 Total supporting services	 547,500	 -	 547,500
 Total expenses	 7,477,093	 -	 7,477,093
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
Release of purpose restrictions	20,107	(20,107)	-
 <b>Change in net assets</b>	 149,635	 (15,232)	 134,403
 Net assets - beginning of year (as restated)	 2,370,693	 20,107	 2,390,800
 <b>Net assets - end of year</b>	 \$ 2,520,328	 \$ 4,875	 \$ 2,525,203

See accompanying notes to financial statements.

**OUTREACH, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2012**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
In-kind contributions	\$ 2,329,938	\$ -	\$ 2,329,938
Cash contributions	382,376	20,107	402,483
Sales of crafts, meals, and coffee	3,533,247	-	3,533,247
Interest	14,617	-	14,617
Miscellaneous income	9,956	-	9,956
Total support and revenue	6,270,134	20,107	6,290,241
<b>EXPENSES</b>			
Program services			
Education program Tanzania	79,604	-	79,604
Medical program Tanzania	1,949,420	-	1,949,420
Meals and water program Tanzania	3,661,785	-	3,661,785
Total program services	5,690,809	-	5,690,809
Supporting services			
Management and general	347,295	-	347,295
Fundraising	3,780	-	3,780
Total supporting services	351,075	-	351,075
Total expenses	6,041,884	-	6,041,884
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
Release of purpose restrictions	-	-	-
<b>Change in net assets</b>	228,250	20,107	248,357
Net assets - beginning of year (as restated)	2,142,443	-	2,142,443
<b>Net assets - end of year (as restated)</b>	\$ 2,370,693	\$ 20,107	\$ 2,390,800

See accompanying notes to financial statements.

**OUTREACH, INC.**

**STATEMENTS OF CASH FLOWS**

**Years Ended December 31, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>		
Changes in net assets/net income	\$ 134,403	\$ 248,357
Adjustments to reconcile changes in net assets/net income to net cash provided by operating activities:		
Depreciation	47,932	34,678
Bad debt	4,806	22,173
(Increase) decrease in assets:		
Accounts receivable	(26,847)	81,511
Inventory	318,336	(335,230)
Prepaid expenses	(7,959)	33,786
Other asset	(11,606)	(10,000)
Increase (decrease) in liabilities:		
Accounts payable	9,257	(91,595)
Accrued expenses	23,535	(432)
Accrued expenses - related party	(6,242)	45,475
	<u>485,615</u>	<u>28,723</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(871,117)	(61,907)
Deposit	(31,348)	(95,853)
Redemption of certificates of deposit	251,449	-
Purchase of certificates of deposit	-	(502,898)
Reinvested interest from certificates of deposit	(3,560)	(750)
	<u>(654,576)</u>	<u>(661,408)</u>
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt - related party	500,000	-
	<u>500,000</u>	<u>-</u>
<b>Net (decrease) increase in cash</b>	331,039	(632,685)
<b>Cash - beginning of year</b>	<u>132,819</u>	<u>765,504</u>
<b>Cash - end of year</b>	<u>\$ 463,858</u>	<u>\$ 132,819</u>

See accompanying notes to financial statements.



# OUTREACH, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 1 – Summary of Significant Accounting Policies

#### Organization Background

Outreach, Inc. (the Organization) was founded in January, 2004 as a not-for-profit Iowa corporation. In August 2004 the Organization was granted “tax exempt” status under IRS code section 501(c)(3). In 2006 the Organization was granted permission by the Secretary of State of Iowa to use the doing-business-as name (dba) “Outreach International, Inc.” The Organization is also known as “Outreach Africa”.

The principal business activity of Outreach, Inc. is humanitarian aid and development programs focused in the areas of water, food, medicine, and education. The Organization primarily focuses its humanitarian efforts in the country of Tanzania, East Africa and specifically in the Singida Region.

The humanitarian aid and development activities are supported in part by Kids Care food packaging events. The Organization organizes meal packaging events which involve volunteers of all ages in the preparation of nutritional meal packages. The Outreach Kids Care and associate partner packaging events create nutritional meal packets which are distributed to domestic and international children and families in need.

The Organization has successfully embarked upon many development initiatives by building schools, installation of potable water systems, and construction of Kids Centers where most vulnerable children can enjoy a safe and secure environment. The Organization improves the lives of people they serve by providing clean water, nutritious meals, medical services, business development, and education for children, their families, and communities served.

#### Basis of Presentation

As required by the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), the Organization reports information regarding its financial position and activities according to three classes of net assets:

*Unrestricted net assets*—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

*Temporarily restricted net assets*—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions and was not met as of the end of the year.

*Permanently restricted net assets*—Net assets that have been restricted by donors to be maintained by the Organization in perpetuity.

#### Estimates

The presentation of the financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## OUTREACH, INC.

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2013 and 2012

#### NOTE 1 – Summary of Significant Accounting Policies (continued)

##### Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. The Organization is no longer subject to such examinations for years before 2010.

##### Cash and Cash Equivalents

For purposes of the statements 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.

##### Certificates of Deposit

Certificates of deposit were \$323,467 and \$571,356 at December 31, 2013 and 2012, respectively. The certificates of deposit bear interest rates between 1.10% – 1.15% at December 31, 2013 and 2012, respectively, and have maturities ranging from six to twelve months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

##### Receivables

Accounts receivable over 30 days are considered past due. The Organization does not accrue interest on past due accounts receivable. Receivables are written off only after all collection attempts have failed and are based on individual credit evaluation and specific circumstances of the customer. No allowance for doubtful accounts was considered necessary by management at December 31, 2013 and 2012.

##### Inventory

The Organization values its inventory at the lower of cost first-in, first-out method (FIFO) or market.

##### Support and Revenue

The accompanying financial statements are prepared on the accrual basis of accounting. Revenue and the related assets are recognized when earned rather than when received, and expenses are recognized when incurred rather than when the obligation is paid.

##### Contributions

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

##### Shipping and Handling Costs

The Organization classifies freight billed to customers as sales revenue and the related freight costs as postage and shipping expenses.

## OUTREACH, INC.

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2013 and 2012

#### NOTE 1 – Summary of Significant Accounting Policies (continued)

##### Advertising

The Organization uses advertising to promote its programs among the population it serves. The costs of advertising are expensed as incurred. Advertising expense for December 31, 2013 and 2012 was \$37,563 and \$5,891, respectively.

##### Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Major expenditures for property and equipment are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. Items of property and equipment sold, retired or otherwise disposed of are removed from the asset and related accumulated depreciation accounts and any resulting gains or losses are reflected in operations.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building and improvements	40
Furnishings, fixtures, and equipment	5-20
Vehicles	5-10

##### Deposit

During July 2012, the President of the Organization acted as an agent with authorization from the Board of Directors to acquire shares of Shallom Farming and Plantations (T) Limited (“Shallom”). An aggregate deposit totaling \$127,201 and \$95,853 for the years ending December 31, 2013 and 2012, respectively, equivalent in U.S dollars, was remitted and is being held in escrow to acquire the Shallom shares. The Organization intends to use its ownership interest in Shallom’s agricultural property to further its strategic initiatives. Once the purchase of the Shallom shares is finalized and approved by the necessary Tanzanian authorities, the shares will be assigned to the Organization.

##### Reclassification

Certain accounts, also effecting net assets, in the prior-year financial statements have been reclassified for comparative purposes with the presentation in the current-year financial statements.

##### Evaluation of Subsequent Events

Management has evaluated subsequent events through November 10, 2014, the date which the financial statements were available to be issued.

**OUTREACH, INC.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2013 and 2012**

**NOTE 2 – Property and Equipment**

The components of property and equipment are as follows as of December 31:

	2013	2012
Land	\$ 284,540	\$ 74,540
Buildings	1,084,817	432,406
Furniture and equipment	136,850	131,843
Vehicles	69,360	65,660
	1,575,567	704,449
Less: Accumulated depreciation	(174,447)	(126,515)
Property and equipment - net	\$ 1,401,120	\$ 577,934

Depreciation expense for December 31, 2013 and 2012 was \$47,932 and \$34,678, respectively.

**NOTE 3 – Other Assets**

Other assets consist of the following at December 31:

	2013	2012
Prepaid vehicle lease	\$ 11,606	\$ -
Other intangible asset	10,000	10,000
	\$ 21,606	\$ 10,000

The Organization entered into a vehicle leasing agreement in July 2013. The Organization paid the balance on the lease in one upfront payment of \$13,715 which will be expensed over the life of the lease at \$352 per month for 39 months. The total lease expense for the year ended December 31, 2013 was \$2,110.

**NOTE 4 – Long-term Debt - Related Party**

The Organization's long-term debt, related party consists of one promissory note secured by a capital asset of the Organization. The note's interest rate is 5.25% and matures on February 26, 2015. The note requires interest only payments once per year and is record in accrued expense – related party and as of December 31, 2013 and 2012 was \$21,875 and \$0, respectively. The principal balance is due at the maturity date of the note.

The following is a summary of principal maturities for the years ending December 31:

2014	\$ -
2015	500,000
	\$ 500,000

OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2013 and 2012

**NOTE 5 – Concentration of Credit Risk**

Any off balance sheet risks would be those which are common to the Organization's mission to third world countries. Those risks would include, but not limited to, fluctuations in the availability and market price of the commodities which the Organization distributes, and the political, social, cultural and economic risks associated with the conduct of commerce in a foreign environment.

Those risks would include but not be limited to:

Theft, corruption and general misuse of money and material used in completing the Organization's mission of supplying aid and relief to third world countries;

Collapse of local and or national government in the countries being served as a result of the political instability in the region. This would include the possibility of complete failure of the banking and monetary system of a country;

The risk of physical harm and danger to Organization personnel while working in the region due to climate, disease, unsafe working and living conditions, terrorism and general political unrest;

Increase scrutiny and public accountability required by various Federal and State regulatory agencies and by foreign agencies, both in general terms and compliance with "Homeland Security" issues and regulation and the war on global terrorism;

Since the Organization has operated in Tanzania without liability insurance, it has certain exposure to balance sheet risk as well as off balance sheet risk during 2013 and 2012;

Cash balances - The Organization maintains cash accounts which, at various times, exceed the federally insured limits of \$250,000 per depositor. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risks.

**NOTE 6 – Related Parties Transactions**

Amounts included in accrued expenses due to a related party for the years ended December 31, 2013 and 2012 was \$67,346 and \$73,588, respectively.

The Organization pays consulting fees and expense reimbursements to a related party. The amount of consulting fees paid in 2013 and 2012 to the related party was approximately \$93,000 and \$66,000, respectively.

The Organization entered into a long-term debt agreement with a related party. The amount of the note payable for the years ended December 31, 2013 and 2012 was \$500,000 and \$0. The interest recorded in accrued expenses – related party for the years ended December 31, 2013 and 2012 was \$21,875 and \$0.

OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2013 and 2012

**NOTE 7 – Donated Services**

The value of donated services included as contributions in the financial statements and the corresponding programs and activities for which the contributed services were used are as follows as of December 31:

	<u>2013</u>	<u>2012</u>
	Medical Program Tanzania	Medical Program Tanzania
Professional fees	<u>\$ 2,511,905</u>	<u>\$ 1,710,608</u>

**SUPPLEMENTARY INFORMATION**

**OUTREACH, INC.**

**STATEMENT OF FUNTIONAL EXPENSES**

**Year Ended December 31, 2013**

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 722,330	\$ 93,200	\$ 97,723	\$ 913,253
Payroll taxes	48,693	6,283	6,588	61,564
Advertising	37,563	-	-	37,563
Bad debt	-	4,806	-	4,806
Computer and internet	-	20,920	-	20,920
Conferences, conventions, and meetings	-	13,980	-	13,980
Contract labor	40,856	57,030	-	97,886
Contributions	529,544	-	-	529,544
Depreciation	38,346	9,586	-	47,932
Equipment and maintenance	53,655	57,881	-	111,536
Insurance	15,876	4,478	-	20,354
Miscellaneous	-	45,935	-	45,935
Occupancy	13,293	13,292	-	26,585
Postage and shipping	321,489	7,699	-	329,188
Printing and publication	408	1,634	-	2,042
Professional fees	2,612,440	54,135	-	2,666,575
Supplies	2,350,341	16,950	-	2,367,291
Telephone	5,349	5,349	-	10,698
Travel	139,410	30,031	-	169,441
	<u>\$ 6,929,593</u>	<u>\$ 443,189</u>	<u>\$ 104,311</u>	<u>\$ 7,477,093</u>

See accompanying notes to financial statements.



**OUTREACH, INC.**

**STATEMENT OF FUNTIONAL EXPENSES**

**Year Ended December 31, 2012**

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 482,142	\$ 83,729	\$ 3,484	\$ 569,355
Payroll taxes	41,062	7,131	296	48,489
Advertising	5,891	-	-	5,891
Bad debt	-	22,173	-	22,173
Computer and internet	-	10,209	-	10,209
Conferences, conventions, and meetings	-	3,109	-	3,109
Contract labor	26,454	83,739	-	110,193
Contributions	646,876	-	-	646,876
Depreciation	27,742	6,936	-	34,678
Equipment and maintenance	40,979	21,420	-	62,399
Insurance	10,879	3,069	-	13,948
Miscellaneous	-	7,419	-	7,419
Occupancy	4,183	4,182	-	8,365
Postage and shipping	433,894	11,181	-	445,075
Printing and publication	2,947	11,788	-	14,735
Professional fees	1,807,597	52,225	-	1,859,822
Supplies	1,992,026	8,088	-	2,000,114
Telephone	4,339	4,339	-	8,678
Travel	163,798	6,558	-	170,356
	<u>\$ 5,690,809</u>	<u>\$ 347,295</u>	<u>\$ 3,780</u>	<u>\$ 6,041,884</u>

See accompanying notes to financial statements.