

GLOBAL TRIBES OUTREACH, INC.
WASHINGTONVILLE, PENNSYLVANIA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
For the Year Ended March 31, 2006

Global Tribes Outreach, Inc.
Washingtonville, Pennsylvania
March 31, 2006

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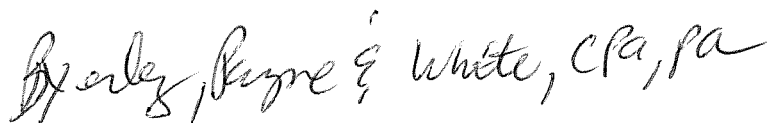
Independent Auditors' Report

The Board of Directors
Global Tribes Outreach, Inc.
Washingtonville, Pennsylvania

We have audited the accompanying balance sheet of Global Tribes Outreach, Inc. as of March 31, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based upon 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 includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Global Tribes Outreach, Inc. as of March 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Byerley, Payne & White, CPA, PA

May 19, 2006

Global Tribes Outreach, Inc.
Washingtonville, Pennsylvania
Balance Sheet
March 31, 2006

| | |
|---|--------------------------|
| Assets: | |
| Cash | \$ 72,420 |
| Inventory | 21,156 |
| Property and Equipment Net of Accumulated Depreciation of \$32,558 | <u>26,062</u> |
| Total Assets | <u><u>\$ 119,638</u></u> |
| Liabilities: | |
| Accounts Payable | <u>4,037</u> |
| Total Liabilities | <u>4,037</u> |
| Net Assets: | |
| Unrestricted | 55,009 |
| Temporarily Restricted | <u>60,592</u> |
| Total Net Assets | <u>115,601</u> |
| Total Liabilities and Net Assets | <u><u>\$ 119,638</u></u> |

The notes to financial statements are an integral part of these statements.

Global Tribes Outreach, Inc.
Washingtonville, Pennsylvania
Statement of Activities
For the Year Ended March 31, 2006

| | <u>Unrestricted</u> | <u>Temporarily Unrestricted</u> | <u>Total</u> |
|---|---------------------|-------------------------------------|-------------------|
| Revenue and Support: | | | |
| Contributions | \$ 77,995 | \$ 394,902 | \$ 472,897 |
| Contributed Services | 146,370 | - | 146,370 |
| Travel Income | 53,103 | - | 53,103 |
| Donated Items | 14,363 | - | 14,363 |
| Administrative Fees | 3,967 | - | 3,967 |
| Resource Income | 3,066 | - | 3,066 |
| Interest | 142 | - | 142 |
| | <hr/> | <hr/> | <hr/> |
| Total Revenue and Support | 299,006 | 394,902 | 693,908 |
| | <hr/> | <hr/> | <hr/> |
| Reclassifications: | | | |
| Satisfaction of Program Restrictions | 360,328 | (360,328) | - |
| | <hr/> | <hr/> | <hr/> |
| Program Expenses: | | | |
| Unreached People Groups Program | 243,201 | - | 243,201 |
| Internally Displaced People Program | 154,534 | - | 154,534 |
| Foster Care Program | 75,193 | - | 75,193 |
| Bible Fund Program | 52,394 | - | 52,394 |
| Compassion Home Program | 46,459 | - | 46,459 |
| IGO Program | 9,936 | - | 9,936 |
| | <hr/> | <hr/> | <hr/> |
| Total Program Expenses | 581,717 | - | 581,717 |
| | <hr/> | <hr/> | <hr/> |
| General Administration and Fund Raising Expenses: | | | |
| Payroll and Related Expenses | 36,583 | - | 36,583 |
| Rent | 7,200 | - | 7,200 |
| Printing | 6,028 | - | 6,028 |
| Office Supplies and Postage | 5,115 | - | 5,115 |
| Travel | 4,275 | - | 4,275 |
| Utilities | 3,915 | - | 3,915 |
| Resources | 3,654 | - | 3,654 |
| Depreciation | 3,081 | - | 3,081 |
| Professional Fees | 1,746 | - | 1,746 |
| Communications | 1,734 | - | 1,734 |
| Orientation | 693 | - | 693 |
| Miscellaneous | 460 | - | 460 |
| | <hr/> | <hr/> | <hr/> |
| Total General Administration and Fund Raising Expenses | 74,484 | - | 74,484 |
| | <hr/> | <hr/> | <hr/> |
| Total Expenses | 656,201 | - | 656,201 |
| | <hr/> | <hr/> | <hr/> |
| Change in Net Assets | 3,133 | 34,574 | 37,707 |
| | <hr/> | <hr/> | <hr/> |
| Net Assets, Beginning of Year | 51,876 | 26,018 | 77,894 |
| | <hr/> | <hr/> | <hr/> |
| Net Assets, End of Year | <u>\$ 55,009</u> | <u>\$ 60,592</u> | <u>\$ 115,601</u> |

The notes to financial statements are an integral part of these statements.

Global Tribes Outreach, Inc.
Washingtonville, Pennsylvania
Statement of Cash Flows
For the Year Ended March 31, 2006

| | |
|---|-------------------------|
| Cash Flows From Operating Activities: | |
| Change in Net Assets | \$ 37,707 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities: | |
| Depreciation | 4,681 |
| Decrease in Staff Advances | 18 |
| Increase in Inventory | (12,543) |
| Decrease in Accounts Payable | <u>(8,839)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>21,024</u> |
| Net Increase (Decrease) in Cash | 21,024 |
| Cash and Cash Equivalents, Beginning of Year | <u>51,396</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$ 72,420</u></u> |

The notes to financial statements are an integral part of these statements.

Global Tribes Outreach, Inc.
Washingtonville, Pennsylvania
Notes to Financial Statements
March 31, 2006

Note 1 - Summary of Significant Accounting Policies:

General

Global Tribes Outreach, Inc. (GTO) is a conservative Anabaptist mission organization focusing on the overwhelming spiritual and physical needs of the people in Southeast Asia.

Basis of Accounting and Presentation

The accounts of GTO are maintained and these financial statements have been prepared on the accrual basis of accounting which recognizes income when earned regardless of when received and expenses when incurred regardless of when paid. The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial practice and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Federal Income Tax

The Corporation is organized within the tax-exempt status provided by 501 (c) (3) of the Internal Revenue Code. Therefore, no provision is made for federal and state corporate income taxes.

Inventory

Inventory consists of Christian literature and is stated at the lower of cost or market using the first-in, first-out basis.

Property and Equipment

Property and equipment are recorded at cost for items purchased and recorded at fair value for donated property. It is GTO's policy to capitalize equipment which costs at least \$3,500 per unit item. Depreciation is provided over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets are capitalized. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income. Depreciation is based on the following policies:

| <u>Description</u> | <u>Useful Life</u> | <u>Method</u> |
|------------------------|--------------------|---------------|
| Leasehold Improvements | 15 Years | Straight Line |
| Equipment | 5-7 Years | Straight Line |
| Vehicles | 5 Years | Straight Line |

Net Assets

The financial statements report amounts separately by class of net assets:

- a) Unrestricted amounts are those available at the discretion of the board for use in the Organization's ministries, and those resources invested in land, buildings and equipment.
- b) Temporarily restricted amounts are those restricted by donors for specific operating purposes, or for the acquisition of land, buildings and equipment.
- c) Permanently restricted amounts are those restricted by donors in perpetuity as endowments or irrevocable trusts.

Global Tribes Outreach, Inc.
Washingtonville, Pennsylvania
Notes to Financial Statements
March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued):

Unrestricted and Restricted Revenue and Support

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

Donated Items

Donated supplies and other items are recorded at estimated fair value at the date of contribution.

Contributed Services

Contributed services are recognized by GTO whenever those services create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills provided that GTO would need to secure those services. The value of services are determined based on hours of service donated at average fair value of comparable services and are reported both as revenue and expense in the period performed. If contributed services are a part of a capital project, the value of these services are capitalized. All program areas benefited from these services this year, except the Bible fund and IGO programs. The administrative and fund-raising functional areas benefited as well. The value of these services was determined to be \$146,370 for the current year.

Cash Equivalents

For purposes of the statement of cash flows, short-term investments with maturities of three months or less are considered as cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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.

Note 2 - Property and Equipment:

Property and equipment consisted of the following:

| <u>Description</u> | <u>Basis</u> | <u>Current Depreciation</u> | <u>Accumulated Depreciation</u> |
|------------------------|------------------|---------------------------------|-------------------------------------|
| Equipment - USA | \$ 8,635 | \$ 1,484 | \$ 7,411 |
| Leasehold Improvements | 23,950 | 1,597 | 22,619 |
| Vehicles - Thailand | 26,035 | 1,600 | 2,528 |
| Total | <u>\$ 58,620</u> | <u>\$ 4,681</u> | <u>\$ 32,558</u> |

Global Tribes Outreach, Inc.
Washingtonville, Pennsylvania
Notes to Financial Statements
March 31, 2006

Note 3 - General Administration and Fund Raising Expenses:

The following schedule details general administration and fund raising expenses for the year:

| | <u>General</u> <u>Administration</u> | <u>Fund</u> <u>Raising</u> | <u>Total</u> |
|------------------------------|---|-------------------------------|------------------|
| Payroll and Related Expenses | \$ 36,583 | \$ - | \$ 36,583 |
| Rent | 7,200 | - | 7,200 |
| Printing | - | 6,028 | 6,028 |
| Office Supplies and Postage | 2,926 | 2,189 | 5,115 |
| Travel | 2,635 | 1,640 | 4,275 |
| Utilities | 3,915 | - | 3,915 |
| Resources | 3,654 | - | 3,654 |
| Depreciation | 3,081 | - | 3,081 |
| Professional Fees | 1,746 | - | 1,746 |
| Communications | 1,734 | - | 1,734 |
| Orientation | 693 | - | 693 |
| Miscellaneous | 460 | - | 460 |
| Total | <u>\$ 64,627</u> | <u>\$ 9,857</u> | <u>\$ 74,484</u> |

Note 4 – Temporarily Restricted Net Assets:

Temporarily restricted net assets represent the unused balance of donor-restricted contributions for certain programs of the Organization. Temporarily restricted net assets are available for the following purposes at March 31, 2006:

| | |
|--|------------------|
| Internally Displaced People Program | \$ 825 |
| Bible Fund Program | 10,577 |
| Unreached People Groups Program | 11,903 |
| Foster Care Program | 17,769 |
| IGO Program | <u>19,518</u> |
| Total Temporarily Restricted Net Assets | <u>\$ 60,592</u> |

Note 5 – Related Party Transactions:

GTO utilizes the services of the Mission Training Center to provide field orientation to its team members and field personnel. A GTO board member is the director of this center. During the current fiscal year, GTO paid \$11,172 to the Center for orientation services.

GTO receives contributions from Global Tribes Outreach, a Canadian nonprofit organization (GTOC). The organizations share a common board member. During the current year GTO received \$10,849 in contributions from GTOC.