

**THE GOD'S CHILD PROJECT
BISMARCK, NORTH DAKOTA**

Audited Financial Statements

For the Year Ended June 30, 2011

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
God's Child Project
Bismarck, North Dakota

We have audited the accompanying statement of financial position of God's Child Project (a nonprofit organization) as of June 30, 2011, and the related statements of activities, functional expenses 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 on our audit.

Except as discussed in the following paragraph, 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.

As discussed in Note 2 to the financial statements, these financial statements do not include the financial information of an organization in which God's Child Project has a controlling financial interest. In our opinion, accounting principles generally accepted in the United States of America require that the financial statements of an organization be combined with those of an organization in which it has a controlling financial interest. It was not practicable to determine the effects of the uncombined information on the financial statements.

In our opinion, except for the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of God's Child Project as of June 30, 2011, 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.

BRADY, MARTZ & ASSOCIATES, P.C.

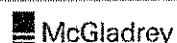
January 11, 2012

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Member of the
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THE GOD'S CHILD PROJECT

**Statement of Financial Position
June 30, 2011**

ASSETS

| | |
|-------------------------------|------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 60,929 |
| Property and Equipment | |
| Vehicles | 12,998 |
| Less accumulated depreciation | <u>(12,781)</u> |
| Net property and equipment | <u>217</u> |
| Total assets | <u>\$ 61,146</u> |

LIABILITIES AND NET ASSETS

| | |
|----------------------------------|------------------|
| Current liabilities: | |
| Accounts payable | \$ 14,881 |
| Accrued expenses | 14,469 |
| Total current liabilities | <u>29,350</u> |
| Net assets | |
| Unrestricted | (227,849) |
| Temporarily restricted | <u>259,645</u> |
| Total net assets | <u>31,796</u> |
| Total liabilities and net assets | <u>\$ 61,146</u> |

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

THE GOD'S CHILD PROJECT

**Statement of Activities
For the Year Ending June 30, 2011**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|-----------------------------------|---------------------|-----------------------------------|------------------|
| Revenue | | | |
| Contributions-Cash | \$ 1,998,792 | \$ 241,213 | \$ 2,240,005 |
| Contributions-Noncash | 672,274 | - | 672,274 |
| Fundraising | 75,459 | - | 75,459 |
| Miscellaneous | 7,140 | - | 7,140 |
| | <u>2,753,665</u> | <u>241,213</u> | <u>2,994,878</u> |
| Releases from restriction | 143,532 | (143,532) | - |
| Total public support and revenue | <u>2,897,197</u> | <u>97,681</u> | <u>2,994,878</u> |
| Expenses: | | | |
| Program services | 2,526,061 | - | 2,526,061 |
| Supporting services: | | | |
| Management and general | 559,129 | - | 559,129 |
| Fund raising | 52,627 | - | 52,627 |
| Total supporting services | <u>611,756</u> | <u>-</u> | <u>611,756</u> |
| Total expenses | <u>3,137,817</u> | <u>-</u> | <u>3,137,817</u> |
| Increase (decrease) in net assets | (240,620) | 97,681 | (142,939) |
| Net assets at beginning of year | <u>12,771</u> | <u>161,964</u> | <u>174,735</u> |
| Net assets at end of year | <u>\$ (227,849)</u> | <u>\$ 259,645</u> | <u>\$ 31,796</u> |

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

THE GOD'S CHILD PROJECT

Statement of Functional Expenses For the Year Ending June 30, 2011

| | Supporting Services | | | Total |
|-----------------------------------|---------------------|------------------------------|------------------|--------------|
| | Program Services | Management and General | Fund- raising | |
| Contributions - Guatemala Charity | \$ 977,760 | \$ - | \$ - | \$ 977,760 |
| Operating expenses - El Salvador | 15,100 | - | - | 15,100 |
| Clothing and supplies - Guatemala | 672,274 | - | - | 672,274 |
| Volunteer expenses | - | 75 | - | 75 |
| Other donations | 278,947 | 2,993 | - | 281,940 |
| Scheel Vo-Tech School | 1,695 | - | - | 1,695 |
| BSC scholarships | 15,000 | - | - | 15,000 |
| Casa Jackson | 82 | - | - | 82 |
| Postage and shipping | 16,957 | 3,842 | 32,593 | 53,392 |
| Contract labor | - | 387,592 | - | 387,592 |
| Payroll taxes | - | 5,695 | - | 5,695 |
| Misc. employee payments | - | 10,000 | - | 10,000 |
| Telephone & internet | 11,588 | 1,672 | 70 | 13,330 |
| Depreciation | 2,600 | - | - | 2,600 |
| Office supplies | 6,942 | 15,629 | 504 | 23,075 |
| Professional fees | 14,824 | - | - | 14,824 |
| Insurance | 13,092 | 33,793 | 1,013 | 47,898 |
| Dues & subscriptions | 27,180 | 890 | - | 28,070 |
| Service team | 289,673 | 5,021 | - | 294,694 |
| Rent | 49,914 | 13,465 | - | 63,379 |
| Repairs & maintenance | 2,659 | - | - | 2,659 |
| Travel | 60,884 | 16,306 | 235 | 77,425 |
| Supplies | 49,448 | 4,777 | 70 | 54,295 |
| Contracted services | - | 3,502 | - | 3,502 |
| Fundraising | - | - | 13,417 | 13,417 |
| Advertising | 12,239 | 37,411 | 4,725 | 54,375 |
| Training | - | 139 | - | 139 |
| Utilities | - | 644 | - | 644 |
| Penalties, fees & taxes | - | 2,866 | - | 2,866 |
| Bank service charges | 2,050 | 6,220 | - | 8,270 |
| Credit card service fees | - | 5,631 | - | 5,631 |
| Miscellaneous | 5,153 | 965 | - | 6,118 |
| | \$ 2,526,061 | \$ 559,129 | \$ 52,627 | \$ 3,137,817 |

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

THE GOD'S CHILD PROJECT
Statement of Cash Flows
For the Year Ending June 30, 2011

| | |
|---|-------------------------|
| Cash flows from operating activities: | |
| Change in unrestricted net assets | \$ (142,939) |
| Adjustments to reconcile change in net assets to cash from operating activities: | |
| Depreciation | 2,599 |
| Effects on operating cash flows due to changes in: | |
| Accounts payable | 2,212 |
| Accrued liabilities | 5,633 |
| | <hr/> |
| Net cash used by operating activities | (132,495) |
| | <hr/> |
| Net change in cash and cash equivalents | (132,495) |
| | <hr/> |
| Cash and cash equivalents, beginning of year | 193,424 |
| | <hr/> |
| Cash and cash equivalents, end of year | <u><u>\$ 60,929</u></u> |

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

THE GOD'S CHILD PROJECT

Notes to Financial Statements June 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Business Activity

The God's Child Project is a 501(c)(3) non-profit organization that researches, develops, implements and fund raises for education, health-care and poverty relief programs in Guatemala, El Salvador, Malawi, Africa, and the United States.

B. Basis of Accounting

The organization has adopted the accrual basis of accounting in accordance with generally accepted accounting principles.

C. Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America, ("GAAP"), as codified by the Financial Accounting Standards Board.

Financial statement presentation follows the recommendations of the Accounting Standards Codification Topic 958, Accounting for Not-for-Profit Entities. The codification requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Restricted and Unrestricted 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.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Temporarily restricted net assets consist of donations received for the Scheel VoTech Center, Casa Jackson and other miscellaneous programs in Guatemala.

There are no permanently restricted net assets.

E. Cash and cash equivalents

Cash includes cash on hand, cash in checking and savings accounts and short-term investments.

THE GOD'S CHILD PROJECT

Notes to Financial Statements June 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

F. Property and Equipment

The Organization capitalizes property and equipment purchased with a cost greater than \$5,000 and a useful life longer than one year.

Property and equipment is recorded at cost or, if donated, at the estimated fair market value upon receipt. Depreciation of property and equipment is provided over five year estimated useful lives of the respective assets on a straight-line basis.

Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expenses as incurred.

G. Income taxes

No provisions have been made for income taxes in these financial statements. The Organization is exempt from Federal and State income taxes under Internal Revenue Code Section 501(c)(3). This code section enables the Organization to accept donations which qualify as charitable contributions to the donor.

The Organization's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions, and other evidence.

H. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Donated Property and Equipment

Donations of property and equipment are recorded as support 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. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

THE GOD'S CHILD PROJECT

Notes to Financial Statements June 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

J. Noncash Contributions

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

K. Advertising

The Organization expenses all advertising costs as they are incurred.

NOTE 2 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 3 LEASE COMMITMENTS

The Organization has various operating leases for office space through 2012. Total rental expense for the year ending June 30, 2011 for these operating leases was \$49,257. The future minimum lease payments for the fiscal year ending June 30 are as follows:

| | | |
|------|----|--------|
| 2012 | \$ | 18,330 |
|------|----|--------|

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

The Organization recognizes revenue from donors when the donation is made. At June 30, 2011 the Organization's temporarily restricted net assets consist of donations from various donors for which restrictions on the allowable expenditures have not been satisfied as the funds were not expended before year end.

NOTE 5 ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

It is the opinion of management that the Organization has no significant uncertain tax positions that would be subject to change upon examination. The federal income tax returns for God's Child Project are subject to examination by the Internal Revenue Service, generally for three years after the returns were filed.

THE GOD'S CHILD PROJECT

**Notes to Financial Statements
June 30, 2011**

NOTE 6 ADVERTISING

Total advertising costs for the year ended June 30, 2011 were \$54,375.

NOTE 7 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Organization's year end. Subsequent events have been evaluated through January 11, 2012, which is the date this financial statement was available to be issued.