

**WORD MADE FLESH, INC.**  
**FINANCIAL STATEMENTS**  
**Year Ended December 31, 2013**



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**Year Ended December 31, 2013**

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Word Made Flesh, Inc.  
Portland, Oregon

We have audited the accompanying financial statements of Word Made Flesh, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

The Organization's 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 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 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 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 Word Made Flesh, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*KERN & THOMPSON, LLC*

Portland, Oregon  
June 4, 2014

**WORD MADE FLESH, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2013**

**ASSETS**

|  |                                 |
|--|---------------------------------|
| Cash and cash equivalents                              | \$ 515,945                      |
| Advances receivable                                    | 3,606                           |
| Investments  | 39,172                          |
| Equipment - net of accumulated depreciation of \$1,309 | <u>966</u>                      |
| <b>Total assets</b>                                    | <b>\$ <u><u>559,689</u></u></b> |

**LIABILITIES AND NET ASSETS**

|   |                                 |
|---|---------------------------------|
| Accounts payable                        | \$ <u>13,292</u>                |
| <b>Total liabilities</b>                | <b><u>13,292</u></b>            |
| <b>Net assets - unrestricted</b>        | <b><u>546,397</u></b>           |
| <b>Total liabilities and net assets</b> | <b>\$ <u><u>559,689</u></u></b> |

See notes to financial statements.

**WORD MADE FLESH, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2013**

|                                   |                          |
|-----------------------------------|--------------------------|
| <b>Revenues and other support</b> |                          |
| Contributions                     | \$ 1,123,366             |
| Service fees                      | 112,179                  |
| Investment income                 | 4,058                    |
| Miscellaneous                     | 57,781                   |
| <b>Total revenues</b>             | <b><u>1,297,384</u></b>  |
| <b>Expenses</b>                   |                          |
| Program services                  | 1,308,188                |
| Supporting services               |                          |
| Management and general            | 306,819                  |
| Fundraising                       | 9,966                    |
| <b>Total expenses</b>             | <b><u>1,624,973</u></b>  |
| <b>Change in net assets</b>       | <b>(327,589)</b>         |
| Net assets, beginning of year     | <u>873,986</u>           |
| <b>Net assets, end of year</b>    | <b><u>\$ 546,397</u></b> |

See notes to financial statements.

WORD MADE FLESH, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2013

|                              | PROGRAM SERVICES  |                   |                  |                  |                   |                   |                  |                   |                  |                   |                   | SUPPORTING SERVICES |                     |                      | Total           |                     |
|------------------------------|-------------------|-------------------|------------------|------------------|-------------------|-------------------|------------------|-------------------|------------------|-------------------|-------------------|---------------------|---------------------|----------------------|-----------------|---------------------|
|                              | Argentina         | Bolivia           | Brazil           | Chennai          | Kolkata           | Moldova           | Nepal            | Peru              | Romania          | Sierra Leone      | Thailand          | Other Programs      | Total Program       | Management & General |                 | Fund-raising        |
| Employee expenses            |                   |                   |                  |                  |                   |                   |                  |                   |                  |                   |                   |                     |                     |                      |                 |                     |
| Salaries                     | \$ 73,172         | \$ 104,282        | \$ -             | \$ -             | \$ 53,649         | \$ 35,406         | \$ -             | \$ 49,260         | \$ 15,387        | \$ 32,450         | \$ 38,838         | \$ 30,472           | \$ 432,916          | \$ 231,804           | \$ -            | \$ 664,720          |
| Employee benefits            | 9,292             | 44,901            | -                | 52               | 39,020            | 32,837            | -                | 15,700            | 9,619            | 19,734            | 16,180            | 12,798              | 200,133             | 31,029               | -               | 231,162             |
| Organizational development   |                   |                   |                  |                  |                   |                   |                  |                   |                  |                   |                   |                     |                     |                      |                 |                     |
| Staff and department support | 824               | 1,922             | -                | -                | 1,373             | 1,099             | -                | 1,099             | 275              | 824               | 824               | 549                 | 8,789               | 2,197                | -               | 10,986              |
| Travel                       | 5,244             | 12,237            | -                | -                | 8,740             | 6,992             | -                | 6,993             | 1,748            | 5,244             | 5,244             | 3,496               | 55,938              | 13,985               | -               | 69,923              |
| Staff appreciation           | 20                | 46                | -                | -                | 32                | 26                | -                | 26                | 6                | 20                | 20                | 13                  | 209                 | 51                   | -               | 260                 |
| Facilities                   |                   |                   |                  |                  |                   |                   |                  |                   |                  |                   |                   |                     |                     |                      |                 |                     |
| Rent                         | 612               | 1,428             | -                | -                | 1,020             | 816               | -                | 816               | 204              | 612               | 612               | 408                 | 6,528               | 1,630                | -               | 8,158               |
| Utilities                    | 755               | 1,761             | -                | -                | 1,258             | 1,006             | -                | 1,006             | 251              | 755               | 755               | 503                 | 8,050               | 2,013                | -               | 10,063              |
| Equipment                    | 4,500             | 10,499            | -                | -                | 7,500             | 6,000             | -                | 6,000             | 1,500            | 4,500             | 4,500             | 3,000               | 47,999              | 11,999               | -               | 59,998              |
| Repairs and maintenance      | 265               | 617               | -                | -                | 441               | 353               | -                | 353               | 88               | 265               | 265               | 176                 | 2,823               | 705                  | -               | 3,528               |
| Resources                    | 3                 | 7                 | -                | -                | 5                 | 4                 | -                | 4                 | 1                | 3                 | 3                 | 2                   | 32                  | 9                    | -               | 41                  |
| Insurance                    | 693               | 1,617             | -                | -                | 1,155             | 924               | -                | 924               | 231              | 693               | 693               | 462                 | 7,392               | 1,847                | -               | 9,239               |
| Postage                      | 398               | 929               | -                | -                | 663               | 531               | -                | 531               | 133              | 398               | 398               | 265                 | 4,246               | 1,062                | -               | 5,308               |
| Legal and banking fees       | 1,739             | 4,059             | -                | -                | 2,899             | 2,319             | -                | 2,319             | 580              | 1,739             | 1,739             | 1,160               | 18,553              | 4,639                | -               | 23,192              |
| Hospitality and events       | 261               | 610               | -                | -                | 436               | 348               | -                | 348               | 87               | 261               | 261               | 174                 | 2,786               | 700                  | -               | 3,486               |
| Other hospitality and events | 188               | 440               | -                | -                | 314               | 251               | -                | 251               | 63               | 188               | 188               | 126                 | 2,009               | 503                  | 9,966           | 12,478              |
| Awareness                    | 654               | 1,526             | -                | -                | 1,090             | 872               | -                | 872               | 218              | 654               | 654               | 436                 | 6,976               | 1,745                | -               | 8,721               |
| Allocated funds              |                   |                   |                  |                  |                   |                   |                  |                   |                  |                   |                   |                     |                     |                      |                 |                     |
| Short-term program           | 312               | 728               | -                | -                | 520               | 416               | -                | 416               | 104              | 312               | 312               | 208                 | 3,328               | 831                  | -               | 4,159               |
| Field expenses               |                   |                   |                  |                  |                   |                   |                  |                   |                  |                   |                   |                     |                     |                      |                 |                     |
| Programming funds            | 3,500             | 22,150            | 27,000           | 13,500           | 80,279            | 31,020            | 28,625           | 17,100            | 29,600           | 49,074            | 45,769            | 75,005              | 422,622             | -                    | -               | 422,622             |
| Field development            | -                 | 2,338             | -                | 147              | 355               | -                 | -                | -                 | -                | 1,286             | 1,620             | 1,810               | 7,556               | -                    | -               | 7,556               |
| Ministry and programming     |                   |                   |                  |                  |                   |                   |                  |                   |                  |                   |                   |                     |                     |                      |                 |                     |
| Administration               | -                 | 705               | -                | -                | 17,551            | -                 | -                | -                 | -                | -                 | -                 | 35                  | 18,291              | -                    | -               | 18,291              |
| Development                  | -                 | 811               | -                | -                | 8,828             | -                 | -                | -                 | -                | -                 | -                 | -                   | 9,639               | -                    | -               | 9,639               |
| Other                        | -                 | 76                | -                | -                | 3,291             | -                 | -                | -                 | -                | -                 | -                 | 10                  | 3,377               | -                    | -               | 3,377               |
| Short-term programs          |                   |                   |                  |                  |                   |                   |                  |                   |                  |                   |                   |                     |                     |                      |                 |                     |
| Servant team                 | -                 | -                 | -                | -                | -                 | 7,061             | -                | -                 | 7,061            | 1,443             | -                 | -                   | 15,565              | -                    | -               | 15,565              |
| Internships                  | -                 | 2,507             | -                | -                | 3,692             | -                 | -                | 6,789             | -                | -                 | 1,782             | -                   | 14,770              | -                    | -               | 14,770              |
| Discovery team               | -                 | -                 | -                | -                | -                 | 3,688             | -                | -                 | 3,687            | -                 | -                 | -                   | 7,375               | -                    | -               | 7,375               |
| Depreciation                 | 27                | 62                | -                | -                | 45                | 36                | -                | 35                | 9                | 27                | 27                | 18                  | 286                 | 70                   | -               | 356                 |
|                              | <u>\$ 102,459</u> | <u>\$ 216,258</u> | <u>\$ 27,000</u> | <u>\$ 13,699</u> | <u>\$ 234,156</u> | <u>\$ 132,005</u> | <u>\$ 28,625</u> | <u>\$ 110,842</u> | <u>\$ 70,852</u> | <u>\$ 120,482</u> | <u>\$ 120,684</u> | <u>\$ 131,126</u>   | <u>\$ 1,308,188</u> | <u>\$ 306,819</u>    | <u>\$ 9,966</u> | <u>\$ 1,624,973</u> |

See notes to financial statements.

**WORD MADE FLESH, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2013**

|   |                                 |
|---|---------------------------------|
| <b>Cash flows from operating activities:</b>  |                                 |
| Change in net assets  | \$ (327,589)                    |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                                 |
| Depreciation  | 583                             |
| (Gain) loss on sale of equipment  | (227)                           |
| Changes in assets and liabilities:  |                                 |
| Accounts receivable   | (3,516)                         |
| Accounts payable  | 16                              |
| <b>Net cash provided by (used in) operating activities</b>  | <b><u>(330,733)</u></b>         |
| <b>Cash flows from investing activities:</b>  |                                 |
| Net proceeds from sale of investments   | 333,975                         |
| Purchase of equipment   | (811)                           |
| <b>Net cash provided by (used in) investing activities</b>  | <b><u>333,164</u></b>           |
| <b>Net increase in cash and cash equivalents</b>  | <b>2,431</b>                    |
| Cash and cash equivalents   |                                 |
| Beginning of year   | <u>513,514</u>                  |
| <b>End of year</b>  | <b><u><u>\$ 515,945</u></u></b> |

See notes to financial statements.

## WORD MADE FLESH, INC.

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

#### NOTE A – DESCRIPTION OF ORGANIZATION

Word Made Flesh, Inc. (the Organization) is a non-profit organization incorporated in the State of Georgia. The Organization started in 1991 with a mission to serve the most vulnerable of the world's poor. In 1994, the Organization initiated its first children's home in Madras, South India for babies who had been abandoned, with a primary focus on pediatric HIV/AIDS care. In 1995, another home was established for girls with severe mental and physical disabilities who have been abandoned and left on the streets to die.

Since then, the Organization has expanded into other countries in Asia, South America, Africa, and Europe where it serves with international Christians to make Jesus, the living Word, flesh among the most vulnerable of the world's poor. Current projects include pediatric HIV/AIDS care, residential care for children who have been abandoned or abused, care and education for the war-affected, advocacy, housing, education and rehabilitation for children who live or are at risk of living on the street, protection, prevention and small business alternatives for women caught in the sex trade.

The organization partners in these projects with a federation of like-minded non-profit organizations located in other countries. Each of these organizations has its own board of directors and legal incorporation in its respective country. The federation shares vision, staff and funding.

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** - Net assets not subject to donor-imposed stipulations. The Board of Directors may designate unrestricted net assets for specific purposes.
- **Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.
- **Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that they be permanently maintained.

Expenses are reported as a decrease in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. As of December 31, 2013, the Organization has only unrestricted net assets.



**WORD MADE FLESH, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2013**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The Organization classifies as cash and cash equivalents all checking, savings, and money market accounts and all investments maturing within 90 days of date acquired.

**Investments and Fair Value Measurements**

Investments are the only assets measured at fair value on a recurring basis. Valuation techniques used to measure fair value are prioritized into the following hierarchy:

**Level 1** – Quoted prices in active markets for identical assets.

**Level 2** – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data by correlation such as appraisals or other means such as calculations based on contractual rates and published tables.

**Level 3** – Unobservable inputs that reflect management's assumptions and best estimates based on available data.

Investments are comprised of money market funds, measured under Level 1. Investment income is included in the change in net assets on the accompanying statement of activities. The Organization has no assets measured under Level 2 or Level 3.

**Revenue Recognition**

All contributions and grants are considered available for the unrestricted general operations of the Organization unless specifically restricted by a donor. Revenues for services are recognized at the time the services are provided and the revenues are earned.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Equipment**

Equipment of \$500 or more is recorded at cost. Depreciation on the equipment is computed using the straight-line method over the estimated useful lives of the assets that range from three to seven years. Maintenance and repairs are expensed when incurred.

**WORD MADE FLESH, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2013**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Tax Status**

The Organization has been approved as a tax exempt organization under the Internal Revenue Code Section 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization does not believe it has unrelated trade or business income in excess of \$1,000.

The Organization's federal exempt organization information returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

**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.

**Concentrations of Credit Risk**

Financial instruments that potentially subject the Organization to credit risk include cash, investments in marketable securities, and accounts receivable. Cash deposited with financial institutions regularly exceeds the related federal deposit insurance limits. Management periodically evaluates the relative credit standings of these financial institutions.

**Allocation of Functional Expenses**

The costs of providing the various programs and other activities have been summarized in the Statement of Activities. Certain costs, including salaries and benefits, rent and utilities, have been allocated among the programs and supporting services benefited.

**NOTE C – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 4, 2014 which is the date financial statements were available to be issued.