

**Word Made Flesh**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**  
**For the year ended December 31, 2011**



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## INDEPENDENT ACCOUNTANT REVIEW'S REPORT

Board of Directors  
Word Made Flesh

We have reviewed the accompanying statement of financial position of Word Made Flesh (the Organization) as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Hayes & Associates LLC*

Hayes & Associates, L.L.C.  
Omaha, Nebraska  
May 30, 2012

Word Made Flesh  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2011

ASSETS		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$	477,881
Accounts receivable		3,555
Total current assets		481,436
 <b>OTHER ASSETS</b>		
Investments		751,250
Total other assets		751,250
 <b>PROPERTY AND EQUIPMENT</b>		
Property and equipment, net of accumulated depreciation		63,107
Total assets	\$	1,295,793
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$	12,601
Accrued salaries, vacation, and benefits payable		265
Other liabilities		1,145
Total current liabilities		14,011
 <b>NET ASSETS</b>		
Temporarily restricted		4,417
Unrestricted		1,277,365
Total net assets		1,281,782
Total liabilities and net assets	\$	1,295,793

See accompanying notes and independent accountant's review report.

Word Made Flesh  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the year ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND RECLASSIFICATIONS</b>			
Contributions/offerings	\$ 137,829	\$ 1,610,571	\$ 1,748,400
Service fees	108,114	-	108,114
Special events income	29,163	-	29,163
Investment income	18,384	-	18,384
Miscellaneous revenue	29,702	-	29,702
Net assets released from restrictions	1,606,154	(1,606,154)	-
Total revenues and reclassifications	<u>1,929,346</u>	<u>4,417</u>	<u>1,933,763</u>
<b>EXPENSES</b>			
Program services	1,592,262	-	1,592,262
Supporting services			
Management and general	316,231	-	316,231
Fundraising	23,339	-	23,339
Total expenses	<u>1,931,832</u>	<u>-</u>	<u>1,931,832</u>
CHANGE IN NET ASSETS	(2,486)	4,417	1,931
NET ASSETS, BEGINNING OF YEAR	<u>1,279,851</u>	<u>-</u>	<u>1,279,851</u>
NET ASSETS, END OF YEAR	<u>\$ 1,277,365</u>	<u>\$ 4,417</u>	<u>\$ 1,281,782</u>

See accompanying notes and independent accountant's review report.

Word Made Flesh  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2011

	Program Expenses							
	Argentina	Bolivia	Brazil	Canada	Chennai	Kolkata	Moldova	Nepal
EXPENSES								
Employee expenses								
Salaries	\$ 92,160	\$ 92,031	\$ 48,887	\$ -	\$ -	\$ 75,840	\$ 37,063	\$ 4,712
Employee benefits	40,150	53,765	21,074	-	-	61,367	23,032	4,030
Organizational development								
Staff and department support	1,698	2,264	1,698	-	-	3,397	1,698	566
Travel	1,828	2,437	1,828	-	-	3,656	1,828	609
Staff appreciation	591	788	591	-	-	1,183	591	197
Facilities								
Rent	2,795	3,726	2,795	-	-	5,589	2,795	932
Utilities	1,050	1,400	1,050	-	-	2,101	1,050	350
Equipment	3,218	4,290	3,218	-	-	6,435	3,218	1,073
Repairs and maintenance	207	276	207	-	-	414	207	69
Resources	16	22	16	-	-	32	16	5
Insurance	410	547	410	-	-	821	410	137
Postage	743	991	743	-	-	1,486	743	248
Legal and banking fees	-	-	-	-	-	-	-	-
Hospitality and events	150	199	150	-	-	299	150	50
Other hospitality and events	86	114	86	-	-	172	86	29
Marketing and publication	4,853	6,470	4,853	-	-	9,706	4,853	1,618
Allocated funds								
Justice fund	192	256	192	-	-	383	192	64
Short-term program	213	284	213	-	-	426	213	71
Field expenses								
Programming funds	5,000	101,375	27,500	-	15,366	71,192	12,030	20,922
Field development	21	494	21	552	115	1,670	15	387
Ministry and programming								
Programming funds	-	698	-	-	-	7,352	-	-
Administration	-	411	-	-	-	21,430	-	-
Development	-	1,073	-	-	-	7,647	-	-
Other	-	63	-	-	-	2,985	-	-
Short-term programs								
Servant team	621	15,588	21	-	-	11,107	16,682	7
Internships	2	-	-	-	-	3,271	-	-
Discovery team	-	1,083	-	-	-	22,976	-	-
Depreciation	1,115	1,486	1,115	-	-	2,229	1,115	372
Miscellaneous	255	340	255	-	-	509	255	85
Total expenses	\$ 157,373	\$ 292,473	\$ 116,922	\$ 552	\$ 15,481	\$ 325,675	\$ 108,240	\$ 36,531

See accompanying notes and independent accountant's review report.

Word Made Flesh  
STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED  
For the year ended December 31, 2011

	Program Expenses					Total Program Expenses	Management and General	Fundraising	Total
	Peru	Romania	Sierra Leone	Thailand					
<b>EXPENSES</b>									
Employee expenses									
Salaries	\$ 94,852	\$ 30,981	\$ 46,276	\$ 28,501	\$ 551,303	\$ 147,420	\$ 19,718	\$ 718,442	
Employee benefits	25,872	18,340	29,345	20,588	297,563	70,636	1,440	369,639	
Organizational development									
Staff and department support	2,264	1,698	2,831	566	18,681	5,790	191	24,662	
Travel	2,437	1,828	3,047	609	20,108	6,232	205	26,545	
Staff appreciation	788	591	986	197	6,505	2,016	66	8,587	
Facilities									
Rent	3,726	2,795	4,658	932	30,741	9,528	314	40,582	
Utilities	1,400	1,050	1,751	350	11,553	3,581	118	15,252	
Equipment	4,290	3,218	5,363	1,073	35,393	10,970	361	46,724	
Repairs and maintenance	276	207	345	69	2,276	705	23	3,004	
Resources	22	16	27	5	178	55	2	235	
Insurance	547	410	684	137	4,515	1,399	46	5,960	
Postage	991	743	1,239	248	8,175	2,534	83	10,792	
Legal and banking fees	-	-	-	-	-	31,901	-	31,901	
Hospitality and events									
Hospitality & events	199	150	249	50	1,645	510	17	2,171	
Other hospitality and events	114	86	143	29	945	293	10	1,247	
Marketing and publication	6,470	4,853	8,088	1,618	53,381	16,544	545	70,470	
Allocated funds									
Justice fund	256	192	320	64	2,109	654	22	2,784	
Short-term program	284	213	355	71	2,343	726	24	3,093	
Field expenses									
Programming funds	59,000	27,749	22,004	14,799	376,937	-	-	376,937	
Field development	43	706	460	1,665	6,149	-	-	6,149	
Ministry and programming									
Programming funds	-	-	-	-	8,050	-	-	8,050	
Administration	-	-	-	-	21,841	-	-	21,841	
Development	-	-	-	-	8,720	-	-	8,720	
Other	-	-	-	-	3,048	-	-	3,048	
Short-term programs									
Servant team	3,464	21	21,970	907	70,387	70	2	70,460	
Internships	-	5,800	-	1,522	10,595	-	-	10,595	
Discovery team	-	-	-	-	24,059	-	-	24,059	
Depreciation	1,486	1,115	1,858	372	12,260	3,800	125	16,185	
Miscellaneous	340	255	424	85	2,801	868	29	3,698	
<b>Total expenses</b>	<b>\$ 209,123</b>	<b>\$ 103,016</b>	<b>\$ 152,421</b>	<b>\$ 74,455</b>	<b>\$ 1,592,261</b>	<b>\$ 316,231</b>	<b>\$ 23,339</b>	<b>\$ 1,931,832</b>	

See accompanying notes and independent accountant's review report.



Word Made Flesh  
STATEMENT OF CASH FLOWS  
For the years ended December 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 1,931
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation and amortization	16,185
Change in accounts receivable	1,892
Change in undeposited funds	6,451
Change in accounts payable	616
Change in salaries, vacation, and benefits payable	(192)
Change in other liabilities	(62)
NET CASH FROM OPERATING ACTIVITIES	26,821
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment purchases	(190,538)
Purchase of property and equipment	(1,380)
NET CASH FROM INVESTING ACTIVITIES	(191,918)
CHANGE IN CASH AND CASH EQUIVALENTS	(165,097)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	642,978
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 477,881

See accompanying notes and independent accountant's review report.

Word Made Flesh  
NOTES TO FINANCIAL STATEMENTS  
For year ended December 31, 2011

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of Word Made Flesh.

1. Organization

Word Made Flesh (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 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, care and education for the war-affected, residential care for children who have been abandoned or abused, advocacy, housing and rehabilitation for children who live on the street, protection, prevention and small business alternatives for women in the sex trade.

The Organization operates with a federation of like-minded nonprofit organizations located in other countries. While each organization has its own board of directors and legal incorporation in its respective country, the federation shares vision, staff and funding.

2. Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting. Support and revenue are recorded when earned and expenses are recorded when incurred.

3. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of management's estimates and assumptions. Actual results could differ from those estimates.

Word Made Flesh  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For year ended December 31, 2011

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to the following three classes of net assets:

- a. Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation.
- b. Temporarily restricted net assets are those net assets whose use by the Organization has been limited by donors to later periods of time or after specified dates or to specified purposes. At December 31, 2011, the Organization's temporarily restricted net assets were \$4,417.
- c. Permanently restricted net assets are those net assets whose use by the Organization has donor-imposed restrictions that stipulate resources be maintained permanently but may permit the Organization to use up or expend part or all of the income (or economic benefits) derived from the donated assets. The Organization had no permanently restricted net assets as of December 31, 2011.

5. Cash and Cash Equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as money market funds.

6. Accounts Receivable

Accounts receivable consist primarily of amounts due from contributors and stated at unpaid balances. Management considers all receivables to be fully collectable; therefore, no allowance for doubtful accounts has been established. In management's opinion, the carrying value of all receivables approximates fair value.

Word Made Flesh  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For year ended December 31, 2011

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Assets are recorded at the cost or fair value on the date of receipt if donated. Depreciation of furniture and fixtures, leasehold improvement, machinery and equipment, and software are provided over the estimated useful lives of seven, fifteen, five and three years of the assets using the straight-line method, respectively.

8. Donated Assets

Donations of property and equipment 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 the duration that 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

Donated investments are reflected as contributions at their estimated fair value at the date of donation.

9. Investments

The Organization's investments consist of certificates of deposit and money market funds held at financial institution and brokerage firms. Certificate of deposit, with maturities greater than three months, and money market funds are recorded at their fair value in the statement of financial position. The Organization also holds a certificate of deposit that is carried at their face value.

Word Made Flesh  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For year ended December 31, 2011

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Contributions

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 the contributions are recognized. All other donor restricted contributions are reported as increases in temporary or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporary restricted net assets are reclassified to unrestricted net assets.

11. Income Taxes

The Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation. The Organization does not have any net income derived from unrelated business activities. Accordingly, no provision for income taxes has been made in accompanying financial statements.

The Organization's federal Return of Organization Exempt from Income Tax returns (Form 990) for 2008, 2009, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

12. Functional Expenses

The costs of providing various programs and services at the different sites have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the different sites and supporting services benefited. Expenses not directly related to a program or supporting services are allocated to the programs based on all staff members supported by the US office. These expenses include rent, insurance, supplies, equipment lease payments, maintenance expenses, and other miscellaneous items.

13. Employee Benefits

The employees of the Organization are granted vacation hours and sick hours at the beginning of the year, based on length of service.

Word Made Flesh  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For year ended December 31, 2011

NOTE B. CONCENTRATION OF CREDIT RISK

Interest bearing accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and non-interest bearing accounts are fully guaranteed by the FDIC through December 31, 2012. The Organization's deposit accounts are fully insured by the FDIC at December 31, 2011. Cash held in investment account in the amount of \$32,618 is not covered by FDIC. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on its cash balances.

NOTE C. INVESTMENTS

Investments consisted of portfolios managed by Securities America, UBS Financial Services and American National Bank. Investments at December 31, 2011 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Money market funds	\$ 303,716	\$ 303,573	\$ -
Certificate of deposit - variable coupon	250,000	242,525	(7,475)
Certificate of deposit	205,152	205,152	-
	<u>\$ 758,868</u>	<u>\$ 751,250</u>	<u>\$ (7,475)</u>

Investments activity consisted of the following as of December 31, 2011:

Interest/dividends	\$ 20,921
Unrealized gains (losses)	<u>(2,537)</u>
	<u>\$ 18,384</u>

NOTE D. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization has adopted the provisions of the Financial Accounting Standards Board Codification Section (FASB ASC) 825-10-15 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. FASB ASC 825-10-15 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Word Made Flesh  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For year ended December 31, 2011

NOTE D. FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

-Level I inputs are quote prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

-Level II inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

-Level III inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value:

	<u>Fair Value</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Money market funds	\$ 303,573	\$ 303,573	\$ -	\$ -
Certificate of deposit - variable coupon	242,525	-	242,525	-
Certificate of deposit	205,152	-	205,152	-
	<u>\$ 751,250</u>	<u>\$ 303,573</u>	<u>\$ 447,677</u>	<u>\$ -</u>

The fair values of Level I investments are determined by obtaining observable, quoted market prices for identical assets on nationally recognized markets.

The fair values of Level II investments are determined based on quoted prices for similar assets.

Word Made Flesh  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For year ended December 31, 2011

NOTE E. PROPERTY AND EQUIPMENT

At December 31, 2011, property and equipment is summarized as follows:

Furniture and fixtures	\$ 66,901
Leasehold improvement	105,796
Machinery and equipment	38,890
Software	7,030
	<u>218,617</u>
Less accumulated depreciation	155,510
	<u>\$ 63,107</u>

The Organization's depreciation expense amounted to \$16,185 for the year ended.

NOTE F. POST-EMPLOYMENT BENEFITS

The Organization offers post-employment benefits for staff members who complete a three year contract upon voluntary termination of employment with the Organization. These funds would be paid based on the condition that these funds are in the staff member's support account.

The Board of Directors approved a severance package of two months' salary, paid after the "employment" of a staff member ends. To qualify for severance, the employment of the staff member must have ended at the discretion of senior staff and/or the Board of Directors. These funds would be paid based on the condition that these funds are in the staff member's support account.

NOTE G. OPERATING LEASE

The Organization has entered into a lease agreement for office space commencing January 1, 2008 and ending December 31, 2012. The terms of the lease require payment of \$212,480 for the duration of the lease payable in monthly installment of \$3,458, and \$3,665 for the period January 1, 2008 through December 31, 2010 and January 1, 2011 through December 31, 2012, respectively. Effective January 1, 2012, there was an increase to the lease payment of \$76 per month.



Word Made Flesh  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For year ended December 31, 2011

NOTE G. OPERATING LEASE - CONTINUED

The future minimum annual lease payments including the lease extensions are as follows:

<u>Year ending December 31</u>	
2012	\$ 44,901

For the year ended, the Organization's lease expense totaled to \$40,582.

NOTE H. ASSESSMENT

It is the general policy of Word Made Flesh to apply an administrative assessment of 6% and a processing assessment of 7% (total of 13%) on all contributions and donations received by the Organization. The exception for this assessment are general-fund designated gifts and occasionally a relief effort when donations are being specifically solicited.

The 6% administrative assessment reimburses the general fund for work administrative staff accomplish on behalf of all staff members, team projects, and ministries. This includes receiving and receipting donations, sending out prayer letters, publishing an advocacy journal, and other administrative duties.

The purpose of the 7% processing assessment is to reimburse the general fund for operating expenses made on behalf of all staff members, team projects, and ministries. This portion of ongoing operational costs can help with expenses like envelopes, printers, rent, utilities, etc. that are necessary for the work of the Organization to continue. Many of these expenses are directly related to the services the central office performs on behalf of the whole organization.

NOTE I. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 30, 2012 the date which the financial statements were available to be issued, and has concluded there were no events or transactions occurring between year-end and this date that would require recognition or disclosure in the financial statements.