

Café 1040, Inc.

Financial Statements

December 31, 2016

Café 1040, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Café 1040, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Café 1040, Inc.** (a non-profit organization) (the Organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States. 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. 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 our 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, we consider internal control relevant to the Organization'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 Organization'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 Café 1040, Inc. as of December 31, 2016, and the results of its activities and changes in net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States.

Windham Brannon, P.C.

November 17, 2017

Certified Public Accountants

Café 1040, Inc.

Statement of Financial Position December 31, 2016

Assets

Cash	\$	732,574
Prepaid expenses		84,750
Computers and equipment, net		31,201

Total assets	\$	848,525
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Liabilities and net assets

Accounts payable and accrued expenses	\$	4,614
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Net assets

Unrestricted		843,911
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Total liabilities and net assets	\$	848,525
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Café 1040, Inc.

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenues:			
Support			
Contributions	\$ 2,891,385	\$ -	\$ 2,891,385
Special events	3,404	-	3,404
Total support	2,894,789	-	2,894,789
Revenues			
Interest income	181	-	181
Other income	668	-	668
Total revenues	849	-	849
Total support and revenues	2,895,638	-	2,895,638
Expenses:			
Program services			
Missionary training program	2,323,877	-	2,323,877
Support services			
Management and general	340,080	-	340,080
Fundraising	170,040	-	170,040
Total support services	510,120	-	510,120
Total expenses	2,833,997	-	2,833,997
Change in net assets	61,641	-	61,641
Net assets, beginning of year	782,270	-	782,270
Net assets, end of year	\$ 843,911	\$ -	\$ 843,911

Café 1040, Inc.

Statement of Functional Expenses For the Year Ended December 31, 2016

	Program Services		Supporting Services		Total Expenses
	Missionary Training	Total Program Services	Management and General	Fundraising	
Contracted services expense	\$ 1,037,915	\$ 1,037,915	\$ 151,890	\$ 75,945	\$ 1,265,750
Salaries expense	784,321	784,321	114,779	57,389	956,489
Housing allowance	101,482	101,482	14,851	7,426	123,759
Airline tickets	44,651	44,651	6,534	3,267	54,453
Accounting	33,430	33,430	4,892	2,446	40,768
Credit card processing fees	29,560	29,560	4,326	2,163	36,049
Automobile expense	25,349	25,349	3,710	1,855	30,914
Meals	22,505	22,505	3,293	1,647	27,445
Consulting and counseling	22,397	22,397	3,278	1,639	27,313
Computer software	19,154	19,154	2,803	1,402	23,359
Promotional items	18,654	18,654	2,730	1,365	22,749
Depreciation	16,591	16,591	2,428	1,214	20,233
Computer	1,990	1,990	291	146	2,427
Internet service	13,594	13,594	1,989	995	16,578
Phone	13,156	13,156	1,925	963	16,044
Lodging	13,005	13,005	1,903	952	15,860
Rent	11,825	11,825	1,731	865	14,421
Gifts	11,009	11,009	1,611	806	13,426
Education	10,862	10,862	1,590	795	13,246
General	9,907	9,907	1,450	725	12,082
Meetings and events	8,986	8,986	1,315	657	10,958
Printing and reproduction	7,930	7,930	1,161	581	9,672
Medicare tax expense	7,560	7,560	1,106	553	9,219
Student recruiting events	6,895	6,895	1,009	504	8,408
Field equipment	4,903	4,903	717	359	5,979
Postage and delivery	6,242	6,242	913	457	7,612
Workers compensation insurance	5,736	5,736	839	420	6,995
Donor services	4,781	4,781	700	350	5,830
Transportation	3,478	3,478	509	255	4,242
Office supplies	2,373	2,373	347	174	2,894
Miscellaneous	23,636	23,636	3,460	1,725	28,821
Total expenses	\$ 2,323,877	\$ 2,323,877	\$ 340,080	\$ 170,040	\$ 2,833,997

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

Café 1040, Inc.

Statement of Cash Flows For the Year Ended December 31, 2016

Cash flows from operating activities	
Change in net assets	\$ 61,641
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	20,233
Loss on disposal of asset	1,365
(Increase) in assets:	
Prepaid expenses	(84,750)
Increase in liabilities:	
Accounts payable and accrued expenses	2,980
Net cash provided by operating activities	1,469
Cash flows from investing activities	
Acquisition of computers and equipment	(17,449)
Net cash used in investing activities	(17,449)
Net decrease in cash	(15,980)
Cash, beginning of year	748,554
Cash, end of year	\$ 732,574
Supplemental disclosure of cash flow information	
Write-off of fully depreciated computers and equipment	\$ 25,465

Notes to Financial Statements December 31, 2016

1. Organization and Summary of Significant Accounting Policies

Café 1040, Inc. (the Organization) is a Georgia non-profit corporation whose primary purpose is to prepare North American college students for Evangelism inside the 10/40 window. The 10/40 window is the area between 10 degrees and 40 degrees north of the equator and represents the largest population of non-Christians in the world. The Organization's main program is offering intense missionary training inside the 10/40 region of the world for college students and young adults. Students and young adults are exposed to field survival, as well as to culture, customs, history, religion, language, and technology.

Basis of Accounting and Financial Reporting

The accompanying financial statements are presented in accordance with generally accepted accounting principles. These financial statements are prepared in accordance with standards set by the Financial Accounting Standards Board. The Organization is required to classify information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories is as follows:

- Unrestricted – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.
- Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

As of and for the year ended December 31, 2016, the Organization had no temporarily restricted or permanently restricted net assets.

Expenses in the statements of activities and changes in net assets have been reported by the functional classifications, major classes of program services and supporting services. Program services are the activities that result in goods and services distributions to beneficiaries and members, and which fulfill the purpose or mission for which the Organization exists. Supporting services are the day-to-day activities required to keep the Organization operational.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial position and the reported amounts of support and expenses during the reporting period in the financial statements and accompanying notes. Actual results could differ from those estimates.

Notes to Financial Statements
December 31, 2016

Cash

The Organization maintains cash accounts at a financial institution that is insured by the Federal Deposit Insurance Company. At times, cash balances may exceed FDIC federally insured limits.

Computers and Equipment

Computers and equipment are recorded at cost. Depreciation is recorded using the straight-line method over estimated useful lives ranging from two to three years. The Organization's policy is to capitalize computer and equipment additions exceeding \$500.

Revenue Recognition for Contributions

Unconditional contributions are recognized as support to the Organization in the period received. Contributions with donor-imposed restrictions are classified as temporarily restricted or permanently restricted contributions according to the donor stipulations. There were no such restrictions during 2016.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated on a ratable basis among the various programs and supporting services. The allocation of functional expenses is detailed in the statement of functional expenses.

Income Taxes

The Organization is a non-profit organization and is exempt, under Section 501(c)(3) of the Internal Revenue Code (the Code), from federal, state and local income taxes whereby only unrelated business income, if any, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. The Organization did not have any unrelated business income tax for the year ended December 31, 2016.

Management of the Organization considers the likelihood of changes by taxing authorities in its income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to the Organization's status as a not-for-profit entity. Management believes that the Organization met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax; therefore, no provision for income taxes has been provided in these financial statements. The Organization's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

Notes to Financial Statements
December 31, 2016

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through November 17, 2017, which is the date the financial statements were available to be issued.

2. Computers and Equipment

	2016
Computers	\$ 107,582
Equipment	11,632
	119,214
Accumulated depreciation	(88,013)
Computers and equipment, net	\$ 31,201

Depreciation expense was \$20,233 for the year ended December 31, 2016.

3. Lease Commitments

The Organization leases office space under a non-cancelable operating lease expiring in 2018. The amount charged to rental expense under this agreement was \$14,421 in 2016. The following is a schedule of future minimum lease payments under the office space operating lease:

Year Ending	Amount
2017	\$ 15,263
2018	6,438
	\$ 21,701

4. Contract Commitments

The Organization has entered into a contract through April 2018 with a third party service provider to perform various services related to the mission of the Organization. The Organization is committed to pay a \$100,000 per month retainer for on-going services provided plus a one-time amount of either \$4,000 or \$7,000 per student. At the end of each year under contract, the third party service provider and Organization reconcile amounts paid and any retainer amount paid that did not relate to direct expenses by the third party service provider, and these funds will be refunded to the Organization or retained as a credit towards the next payment amount due. At December 31, 2016, the Organization had an excess amount paid of \$83,250 which is included in prepaid expenses on the statement of financial position. During the year ended December 31, 2016, the Organization paid the consulting company \$1,265,750.