

**REPORT OF THE AUDIT OF  
EDGE OUTREACH, INC.**

**For The Year Ended  
December 31, 2013**

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
EDGE Outreach, Inc.  
Louisville, Kentucky

We have audited the accompanying financial statements of EDGE Outreach, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities 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 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.

**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 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 auditor's 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 EDGE Outreach, Inc. as of June 30, 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.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page YY is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Louisville, Kentucky  
May 21, 2014

**EDGE OUTREACH, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2013**

**ASSETS**

<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 482,489
Accounts Receivable	106,323
Inventory	73,086
Advances and Prepaid Expenses	<u>18,063</u>
<b>TOTAL CURRENT ASSETS</b>	<b>679,961</b>
 <b>PROPERTY, PLANT &amp; EQUIPMENT</b>	
Fixed Assets	455,403
Less: Accumulated Depreciation	<u>(94,124)</u>
<b>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</b>	<u><b>361,279</b></u>
 <b>TOTAL ASSETS</b>	 <u><u><b>\$1,041,240</b></u></u>

**LIABILITIES AND FUND BALANCE**

<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 131,410
Credit Cards Payable	12,409
Other Payables	46
Deferred Revenue	<u>61,035</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>204,900</b>
 <b>LONG-TERM LIABILITIES</b>	
Mortgage Payable	<u>225,576</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>225,576</b>
 <b>NET ASSETS</b>	
Restricted :	
Cash	226,475
Inventory	21,116
Unrestricted :	
Operating	227,470
Invested in Fixed Assets Net of Related Debt	<u>135,703</u>
<b>TOTAL NET ASSETS</b>	<u><b>610,764</b></u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u><b>\$1,041,240</b></u></u>

The accompanying notes and accountant's report are an integral part of these financial statements.

**EDGE OUTREACH, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For The Year Ended December 31, 2013**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Contributions			
General	\$ 416,896	\$ 186,556	\$ 603,452
Gifts	73,659		73,659
Fundraising Revenue	179,289		179,289
Program Service Revenue			
Special Events Revenue	70,358		70,358
Shoes For Water	188,294		188,294
EDGE Technology	298,133	50,000	348,133
Safe Water Trips		285,107	285,107
Training	33,245		33,245
Missions	39,801	10,000	49,801
Fellowship With Christ	35,531		35,531
Interest	4,237		4,237
Release From Restriction	345,107	(345,107)	-
	<b>\$ 1,684,550</b>	<b>\$ 186,556</b>	<b>\$ 1,871,106</b>
 <b>EXPENSES</b>			
Program Services:			
Special Events Expenses	\$ 57,939		
Shoes For Water	156,133		
EDGE Technologies	228,017		
Safe Water Trips	256,415		
Training	19,142		
Missions	502,354		
Fellowship With Christ	30,775		
Supporting Services:			
Management and General	148,866		
Fundraising	144,847		
	<b>1,544,488</b>		
 <b>CHANGES IN NET ASSETS</b>	 <b>326,618</b>		
 <b>NET ASSETS AT THE BEGINNING OF THE PERIOD (restated)</b>	 <b>\$ 284,146</b>		
 <b>NET ASSETS AT THE END OF THE PERIOD</b>	 <b>\$ 610,764</b>		

The accompanying notes and accountant's report are an integral part of these financial statements.

**EDGE OUTREACH, INC.**  
**STATEMENT OF CASH FLOWS**  
**For The Year Ended December 31, 2013**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Excess (Deficit) Expenditures over Revenues	\$ 326,618
Adjustments to Reconcile Net Income to Net Cash Provided by by Operating Activities	
Depreciation	23,276
Decrease (Increase) in:	
Accounts Receivable	(102,870)
Inventory (net of donated items)	(20,152)
Prepaid Expenses	19,304
Increase (Decrease) in:	
Accounts Payable	73,744
Credit Cards	12,198
Accrued Expenses	42,458
	<b>374,576</b>
 <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Cash payments for the purchase of property and Equipment	(38,568)
	<b>(38,568)</b>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	
	336,008
<b>CASH AND CASH EQUIVALENTS, Beginning of the Year</b>	<b>146,481</b>
<b>CASH AND CASH EQUIVALENTS, End of the Year</b>	<b>\$ 482,489</b>

The accompanying notes and accountant's report are an integral part of these financial statements.

**EDGE OUTREACH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

EDGE Outreach, Inc., acting through its Board of Directors, operates as a not-for-profit organization established to empower ordinary people to provide safe water solutions to communities in need. EDGE Outreach works with individuals and organizations to offer help through a variety of water solutions, vision clinics and other humanitarian efforts. EDGE Outreach is dependent on contributions from its supporters and revenues from mission trips.

Basis of Accounting

Assets, liabilities, revenues, and expenses are recognized on the accrual method of accounting for both financial statement presentation and federal reporting purposes.

Basis of Presentation

EDGE Outreach adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organization." Under SFAS No. 117, EDGE Outreach is required to report information regarding its financial positions and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization classifies mission trip revenue as temporarily restricted until the related mission trip is taken.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, temporarily restricted net assets are reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect what is reported in the financial statements and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using straight-line over the estimated useful lives of the assets. Renewals and betterments that extend the economic useful lives of the related assets are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are reduced, and any gain or loss is included in operations.



**EDGE OUTREACH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**CONTINUED**

Contributions

EDGE Outreach has adopted Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions and unconditional promises to give are recorded at their fair market value immediately, even if the donor has restricted their use and the restriction will be met in a future reporting period. EDGE Outreach, to date, has not received any unconditional promises to give that are recorded as contributions.

Contributed Services

The Organization receives a substantial amount of services donated by volunteers in carrying out the Organization's mission. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under generally accepted accounting principles.

Income Taxes

EDGE Outreach is incorporated as a not-for-profit entity under Section 501(c) (3) of the 1954 Internal Revenue Code. In accordance with filing requirements of the IRS, an annual information return is timely filed.

Accounts Receivable

The Organization sells water bottles and t-shirts to raise funds. Items are billed when shipped and the Organization records these amounts as receivables. The Organization uses the direct write off method for uncollectible receivables, and bad debt expense when the associated receivable is identified as uncollectable.

Cash & Cash Equivalents

EDGE Outreach considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. All accounts held by EDGE Outreach were within FDIC limits.

Inventories

Inventories of materials, T-shirts, and purification devices are carried at estimated value as of the end of the year, which approximates the lower of cost or market value. Reserves for obsolete inventory are recorded when condition is identified. No reserves were recorded at December 31, 2013.

**EDGE OUTREACH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**CONTINUED**

Reclassification of Financial Statement Presentation

Certain reclassification and regrouping of assets, liabilities, revenues and expenses have been reclassified and grouped into common categories for financial statement presentation. Such reclassification and regrouping has no effect on the results of operations as presented.

Functional Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Property and Equipment

Property and equipment, consisting of vehicles, machinery and equipment, and furniture and fixtures purchased after January 1, 2007 are recorded at cost and at market value when acquired by gift. All Property and equipment acquired prior to this date is valued at estimated cost at the date of acquisition or transfer. The estimated values have been determined by reviewing property tax records and insurance values and comparable sales. However, it is not known if this approximates fair value. All costs for property and equipment greater than \$1,000 are capitalized. In accordance with generally accepted accounting principles, the expenditures for long-lived assets are capitalized and depreciated on a systematic basis over the useful life of the underlying asset on a straight line basis.

**NOTE 2 - PROPERTY AND EQUIPMENT**

A summary of property and equipment at December 31, 2013 is as follows:

Land	\$ 40,320
Building	219,337
Leasehold Improvements	1,235
Furniture, Fixtures, and Equipment	174,310
Vehicles	<u>20,201</u>
	455,403
Accumulated Depreciation	<u>(94,124)</u>
	<u>\$361,279</u>

Depreciation expense for the year ended December 31, 2013 was \$23,276.

**EDGE OUTREACH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 3 – LONG TERM DEBT**

On July 26, 2012 EDGE Outreach, Inc. entered a lien note for \$234,000 for the purchase of the headquarters building. Due are monthly payments of \$2,312 for 2012 and \$1,675 thereafter until August 1, 2014, when a final balloon payment for the remaining principal of \$221,106 is due. The interest rate is 5.99%.

The activity for 2013 follows:

<u>Beginning Principal</u> <u>Balance</u>	<u>New Borrowing in</u> <u>2013</u>	<u>Principal paid in</u> <u>2013</u>	<u>Ending Principal</u> <u>Balance December</u> <u>31, 2013</u>
\$ 231,957	\$ 0	\$ 6,381	\$ 225,576

Future interest and principal payments follow:

<u>Due during year:</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 225,576	\$ 8,931

**NOTE 4 – IN-KIND CONTRIBUTIONS**

During the year ended December 31, 2013, EDGE Outreach received in-kind contributions valued at \$73,659. All in-kind contributions were distributed during the year ended December 31, 2013.

**NOTE 5 – PRIOR PERIOD RESTATEMENT**

Net Assets at the beginning of the year have been restated by \$4,382 due to errors on the capital asset listing.

**EDGE OUTREACH, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For The Year Ended December 31, 2013**

	Program Expenses	Management And General	Fundraising	Total
Salaries	\$ 349,402	\$ 140,058	\$ 71,829	\$ 561,289
Payroll Taxes	22,021	8,808	4,551	35,380
 Total Payroll Expense:	 371,423	 148,866	 76,380	 596,669
 Professional Fees	 55,384		 11,419	 66,803
Supplies	138,887		14	138,901
Auto Expense	23,424		70	23,494
Postage	16,217		3,528	19,745
Telephone	17,623			17,623
Equipment	12,780		673	13,453
Printing	7,007		8,982	15,989
Repairs and Maintenance	44,216			44,216
Travel	298,786		1,802	300,588
Training	19,142			19,142
Depreciation	23,276			23,276
Interest Expense	24,005		7,300	31,305
Dues and Subscriptions	11,725			11,725
Gifts and Donations	7,526			7,526
Speakers and Talent	5,639			5,639
Occupancy	500			500
Insurance	13,824			13,824
Information Technology	25,250		6,307	31,557
Marketing	23,449		27,974	51,423
Meals	44,735		171	44,906
Miscellaneous	8,228		227	8,455
Fellowship With Christ	30,775			30,775
Taxes	7,647			7,647
Utilities	19,307			19,307
 Total	 <u>\$ 1,250,775</u>	 <u>\$ 148,866</u>	 <u>\$ 144,847</u>	 <u>\$1,544,488</u>

**EDGE OUTREACH, INC.**  
**SCHEDULE OF COMMENTS AND RECOMMENDATIONS**  
**December 31, 2013**

Prior year comments:

None

Current year comments:

None