

Gospel For Asia, Inc.

*Independent Auditors' Report
and Financial Statements*

Year Ended December 31, 2013
with Comparative Totals for the
Year Ended December 31, 2012





INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Gospel for Asia, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Gospel for Asia, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 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 audits. 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 Gospel for Asia, Inc. as of December 31, 2013, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Gospel for Asia's 2012 financial statements, and our report dated June 18, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bland Hargy, P.C.

Richardson, Texas

June 13, 2014

GOSPEL FOR ASIA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash	\$ 14,112,769	\$ 20,022,338
Contributions receivable (Note L)	3,025,953	3,133,527
Short term gifts in kind (Note B)	347,030	329,218
Accounts receivable	6,465	1,633
Inventory (Note D)	489,534	535,786
Prepaid expenses (Note E)	120,174	153,514
Current portion of note receivable (Note M)	57,281	52,891
TOTAL CURRENT ASSETS	<u>18,159,206</u>	<u>24,228,907</u>
PROPERTY AND EQUIPMENT (Note N)		
Land, building and improvements	41,576,950	17,374,945
Furniture, fixtures and equipment	2,563,550	2,552,129
Vehicles	59,305	65,622
	<u>44,199,805</u>	<u>19,992,696</u>
Less accumulated depreciation	5,038,118	4,634,913
	<u>39,161,687</u>	<u>15,357,783</u>
OTHER ASSETS		
Deposits	7,504	6,554
Note receivable, net (Note M)	92,587	149,868
Long term gifts in kind (Note B)	1,412,840	1,347,090
Assets held in charitable remainder unitrust (Note F)	74,670	67,022
Assets held under charitable gift annuity (Note F)	21,248	19,595
Assets held under revocable intents to give (Note F)	286,255	275,063
	<u>1,895,104</u>	<u>1,865,192</u>
	<u>\$ 59,215,997</u>	<u>\$ 41,451,882</u>

See independent auditors' report and accompanying notes to financial statements.

GOSPEL FOR ASIA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

LIABILITIES AND NET ASSETS

	2013	2012
CURRENT LIABILITIES		
Accounts payable	\$ 1,824,995	\$ 719,340
Accrued field support (Note L)	5,455,256	10,085,807
Accrued liabilities	14,536	15,236
TOTAL CURRENT LIABILITIES	<u>7,294,787</u>	<u>10,820,383</u>
LONG-TERM LIABILITIES (Note F)		
Liability under charitable remainder unitrust agreement	27,422	29,400
Liability under charitable gift annuity	8,880	9,237
Liability for refundable advance under revocable intent to give	286,255	275,063
	<u>322,557</u>	<u>313,700</u>
COMMITMENTS AND CONTINGENCIES (Note J)		
NET ASSETS		
Unrestricted	43,643,074	19,051,802
Temporarily restricted	7,955,579	11,265,997
Permanently restricted	-	-
	<u>51,598,653</u>	<u>30,317,799</u>
	<u>\$ 59,215,997</u>	<u>\$ 41,451,882</u>

See independent auditors' report and accompanying notes to financial statements.

GOSPEL FOR ASIA, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2013 and 2012

	2013			2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Summarized Total
SUPPORT				
General donations	\$ 11,513,088	\$ 20,968,232	\$ -	\$ 32,481,320
Field donations	-	57,403,111	-	57,403,111
Gifts in kind	233,232	371,812	-	605,044
Interest income	14,740	-	-	14,740
Realized gain (loss) on sale of investments and assets	33,535	-	-	33,535
Other	(3,087)	-	-	(3,087)
Change in value of split-interest agreements (Note F)	-	11,635	-	11,635
Net assets released from restrictions through satisfaction of program requirements	82,065,208	(82,065,208)	-	-
	<u>93,856,716</u>	<u>(3,310,418)</u>	<u>-</u>	<u>90,546,298</u>
				<u>68,672,774</u>
EXPENSES (Note K)				
Program services (Note H)	61,573,959	-	-	61,573,959
Management and general	3,731,696	-	-	3,731,696
Fund-raising	3,959,789	-	-	3,959,789
	<u>69,265,444</u>	<u>-</u>	<u>-</u>	<u>69,265,444</u>
				<u>66,560,904</u>
INCREASE (DECREASE) IN NET ASSETS	24,591,272	(3,310,418)	-	21,280,854
NET ASSETS AT BEGINNING OF YEAR	<u>19,051,802</u>	<u>11,265,997</u>	<u>-</u>	<u>30,317,799</u>
NET ASSETS AT END OF YEAR	<u>\$ 43,643,074</u>	<u>\$ 7,955,579</u>	<u>\$ -</u>	<u>\$ 51,598,653</u>
				<u>\$ 30,317,799</u>

See independent auditors' report and accompanying notes to financial statements.

GOSPEL FOR ASIA, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 21,280,854	\$ 2,111,870
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	532,301	522,640
Realized (gain) loss on sale of investments	(41,204)	9,325
Realized loss on disposal of assets	7,669	-
Change in value of split-interest agreements	(11,636)	(8,520)
Contributions of gifts in kind	(605,044)	(2,056,408)
Gifts in kind transferred to operations	-	18,486
(Increase) decrease in contributions receivable	107,574	(97,970)
(Increase) decrease in due from affiliate	-	9,000,000
(Increase) decrease in accounts receivable	(4,832)	(1,633)
(Increase) decrease in inventory	46,252	69,486
(Increase) decrease in prepaid expenses	33,340	58,617
(Increase) decrease in deposits	(950)	(240)
Increase (decrease) in accounts payable	1,105,655	(194,924)
Increase (decrease) in accrued field support	(4,630,551)	5,780,867
Increase (decrease) in accrued liabilities	(700)	5,196
Net cash provided by operating activities	<u>17,818,728</u>	<u>15,216,792</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(148,954)	(255,619)
Proceeds from sales of property and equipment	7,085	-
Increase in construction in progress	(24,202,005)	(3,958,564)
Proceeds from sales of gifts in kind	562,686	583,466
Proceeds from note receivable	52,891	79,036
Net cash used by investing activities	<u>(23,728,297)</u>	<u>(3,551,681)</u>

See independent auditors' report and accompanying notes to financial statements.

GOSPEL FOR ASIA, INC.
 STATEMENTS OF CASH FLOWS
 For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	\$ (5,909,569)	\$ 11,665,111
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>20,022,338</u>	<u>8,357,227</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u><u>\$ 14,112,769</u></u>	<u><u>\$ 20,022,338</u></u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Income taxes paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See independent auditors' report and accompanying notes to financial statements.

GOSPEL FOR ASIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Gospel for Asia, Inc. (GFA) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of GFA's management, who is responsible for their integrity and objectivity. These accounting policies conform with accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization

GFA is a non-denominational, evangelical mission organization dedicated to reaching the most unreached peoples of Asia with the love of Jesus Christ. GFA recruits, trains, sends and supports thousands of national workers who are engaged in sharing God's love and discipleship in 10 Asian countries.

In addition, GFA national workers share the love of Christ by helping more than 60,000 children enrolled in the GFA Bridge of Hope ministry, providing disaster relief, broadcasting the Good News in 110 languages, and printing millions of pieces of Gospel literature and Scriptures each year.

GFA informs Christians in the West of the progress, effectiveness and the needs of these missionaries and provides opportunities for involvement through prayer, sponsorship, volunteer help, project giving and vision/teaching tours to the mission field.

Basis of accounting

GFA prepares its financial statements on the accrual basis of accounting which reflects all significant receivables, payables and other liabilities.

The financial statements were approved for issue by the Board of Directors on June 13, 2014, which is the date the financial statements were available to be issued.

Basis of presentation

GFA has adopted the current authoritative guidance, *Financial Statements of Not-For-Profit Organizations*. Under this standard, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Any earnings on specific assets are considered unrestricted unless otherwise restricted by the donor.

GOSPEL FOR ASIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recognition of support and revenue

For accounting purposes, GFA operates on a calendar year basis. Support and revenues are recognized as received or earned. Donors may request their gifts be used for field support, capital improvements, disaster relief or on a “where most needed” basis among other designations. The support received related to the mission work is considered temporarily restricted and is released from restriction when the contributions have been sent to the Asian mission field or are sent within a few months after the calendar year-end. Any unspent contributions restricted to field support are classified as temporarily restricted support. Contributions postmarked by December 31, or before and received after year-end are recorded as a receivable and a corresponding field support expense is accrued.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. GFA reports donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support. Temporarily restricted net assets consist of contributions that have not yet been sent to the Asian mission field by year end or a few months after year end, unspent contributions of cash that must be used to acquire property and equipment, and the assets held in the charitable remainder unitrust, charitable gift annuity and revocable intents to give, net of the related liabilities.

Comparative totals

The financial statements and related footnotes include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with GFA’s financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Financial instruments

The amounts reflected in the balance sheet for cash, receivables and accounts payable approximate fair value due to the short maturity of those instruments. GFA’s debt instruments carry interest at market rate; accordingly, carrying value approximates fair value.

GOSPEL FOR ASIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimated assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Inventory

Inventory is valued and reported on an average cost basis.

Property and equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate 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, GFA reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. GFA reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the individual assets. Estimated useful lives are as follows:

	<u>Estimated Useful Life</u>
Land	N/A
Office building and improvements	10 to 40 years
Furniture, fixtures and equipment	3 to 10 years
Vehicles	3 years

Depreciation expense related to property and equipment amounted to \$532,301 and \$522,640 for the years ended December 31, 2013 and 2012, respectively.

GOSPEL FOR ASIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Short term investments

Equity securities are classified as “available-for-sale” as defined by the current authoritative literature, *Accounting for Certain Debt and Equity Securities*. Available-for-sale securities represent those securities that do not meet the classifications of held-to-maturity or actively traded. Available-for-sale securities are carried at market value.

In accordance with this Statement, equity securities are reported at aggregate fair value with unrealized gains and losses included in the statement of activities.

Assets held in the charitable remainder unitrust, charitable gift annuity and revocable intents to give are classified as available-for-sale and valued at market value.

Investments in real estate are valued at their fair value, as determined by a current market appraisal. Other investments are valued at their estimated market value based on resale values.

The cost of securities sold was determined by the specific identification method.

Statement of cash flows

For the purpose of the statement of cash flows, GFA considers all unrestricted, highly-liquid investments with an initial maturity of three months or less to be cash equivalents. GFA uses the indirect method to present cash flows from operating activities. There were no noncash investing or financing activities for the years ended December 31, 2013 and 2012.

Long-lived assets

GFA’s policy is to periodically review the net realizable value of its long-lived assets through an assessment of the estimated future cash flows related to such assets. In the event that assets are found to be carried at amounts in excess of estimated undiscounted future cash flows, then the assets will be adjusted for impairment to a level commensurate with a discounted cash flow analysis of the underlying assets. The Company believes no impairment of long-lived assets existed at December 31, 2013.

Fair value measurements

GFA has adopted the provisions of authoritative guidance which defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

GOSPEL FOR ASIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurements

In determining fair value, GFA uses various valuation approaches. A fair value hierarchy for inputs is used in measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Accordingly, the degree of judgment exercised by the Organization in determining fair value is greatest for investments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

Federal income taxes

GFA is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal income taxes has been made.

GOSPEL FOR ASIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Federal income taxes

The Financial Accounting Standards Board (FASB) issued authoritative guidance which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's financial statements to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Even an income tax provision of zero constitutes a tax position as defined by the FASB. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense in the current year. A reconciliation is not provided herein, as the beginning and ending amounts of unrecognized benefits are zero, with no interim additions, reductions, or settlements. However, the conclusions regarding this authoritative guidance will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof.

Reclassifications

Certain reclassifications have been made to the prior year balances to conform with current year presentation. There was no effect on the change in net assets for the year ended December 31, 2012.

NOTE B – INVESTMENTS

The gross unrealized gains (losses) and estimated fair values of investments at December 31, 2013 and 2012, are as follows:

	2013		2012	
	Gross Unrealized Gain (Loss)	Fair Value	Gross Unrealized Gain (Loss)	Fair Value
Available-for-sale securities				
Assets held in trust	\$ 65,750	\$ 998,240	\$ -	\$ 932,490
Real estate	-	357,611	-	359,600
Miscellaneous	-	404,019	-	384,218
	<u>\$ 65,750</u>	<u>\$1,759,870</u>	<u>\$ -</u>	<u>\$1,676,308</u>

GOSPEL FOR ASIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE B – INVESTMENTS

Marketable securities and other investments at December 31, 2013 and 2012, consist of gifts in kind contributed at or near year end; thus, there are no material unrealized gains or losses on those investments as of December 31, 2013 and 2012. The unrealized gain of \$65,750 on the assets held in trust is included in unrestricted gifts in kind contributions at December 31, 2013.

NOTE C – FAIR VALUE MEASUREMENTS

The following table sets forth the carrying amounts and estimated fair values by level, within the fair value hierarchy, of the Organization's financial assets as of December 31, 2013 and 2012.

	Carrying Amount	Assets at Fair Value as of December 31, 2013		
		Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	<u>\$14,112,769</u>	<u>\$14,112,769</u>	<u>\$ -</u>	<u>\$ -</u>
Investments				
Gifts in kind	\$ 1,759,870	\$ -	\$ 1,065,789	\$ 694,081
Assets held under CRUT	74,670	-	74,670	-
Assets held under charitable gift annuities	21,248	-	21,248	-
Assets held under revocable intents to give	286,255	-	286,255	-
	<u>\$ 2,142,043</u>	<u>\$ -</u>	<u>\$ 1,447,962</u>	<u>\$ 694,081</u>
Financial liabilities				
Liabilities related to split- interest agreements	<u>\$ 322,557</u>	<u>\$ -</u>	<u>\$ 322,557</u>	<u>\$ -</u>

GOSPEL FOR ASIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE C – FAIR VALUE MEASUREMENTS

	Carrying Amount	Assets at Fair Value as of December 31, 2012		
		Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	<u>\$20,022,338</u>	<u>\$20,022,338</u>	<u>\$ -</u>	<u>\$ -</u>
Investments				
Gifts in kind	\$ 1,676,308	\$ -	\$ 869,565	\$ 806,743
Assets held under CRUT	67,022	-	67,022	-
Assets held under gift annuities	19,595	-	19,595	-
Assets held under revocable intents to give	<u>275,063</u>	<u>-</u>	<u>275,063</u>	<u>-</u>
	<u>\$ 2,037,988</u>	<u>\$ -</u>	<u>\$ 1,231,245</u>	<u>\$ 806,743</u>
Financial liabilities				
Liabilities related to split-interest agreements	<u>\$ 313,700</u>	<u>\$ -</u>	<u>\$ 313,700</u>	<u>\$ -</u>

GOSPEL FOR ASIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE C – FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2013.

Cash and cash equivalents are reflected in the accompanying financial statements at amounts which approximate fair value, primarily because of the short-term maturity of those instruments.

Assets held under CRUT, charitable gift annuities and revocable intents to give are reflected in the accompanying financial statements at the fair market value of the underlying investments held in those specific accounts.

Gifts in Kind Investments consist of the following:

	Value at December 31, 2013	Value at December 31, 2012
10 acre tract of land given in 2008, valued by independent appraisal and subsequent review of market values in the area	\$ 214,600	\$ 214,600
Tandem mausoleum crypt, given in 2008, valued at market	2,900	2,900
50,000 Iraqi Dinars given in 2009, valued at market	-	-
Gold and silver coins, valued at market	141,295	141,295
40 acre tract of land given in 2012, valued by independent appraisal and subsequent review of market values in the area	-	70,000
House and property in Maryland, valued by independent appraisal and subsequent review of market values in the area	75,000	75,000
A Trust including Morgan Stanley investments, alternative investments and 50% of an airplane hangar	1,198,240	1,132,490
Half interest in 2 parcels of land in MS	68,011	-
Other	59,824	40,023
Total gifts in kind	<u>\$ 1,759,870</u>	<u>\$ 1,676,308</u>

Liabilities Related to Split Interest Agreements are valued based on the present value of future payments using various discount rates.

GOSPEL FOR ASIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE C – FAIR VALUE MEASUREMENTS

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or predictive of future fair values. Although the Organization believes its valuation methods are appropriate, different assumptions could result in a different fair value measurement at the financial statement date.

NOTE D – INVENTORY

Inventory consists of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Books, videos, CDs, and miscellaneous literature	\$ 225,080	\$ 238,647
Prepaid supplies	<u>264,454</u>	<u>297,139</u>
Total inventory	<u>\$ 489,534</u>	<u>\$ 535,786</u>

NOTE E – PREPAID EXPENSES

Prepaid expenses consist primarily of prepaid support and maintenance contracts and prepaid booth costs at December 31, 2013 and 2012.

NOTE F – SPLIT-INTEREST AGREEMENTS

GFA has the following split-interest agreements as of December 31, 2013 and 2012:

Charitable remainder unitrust agreement

GFA administers a charitable remainder unitrust (CRUT) that provides for the payment of distributions to the grantor or other designated beneficiary over the designated beneficiary's lifetime. At the end of the trust's term, the remaining assets are available for GFA's use. The portion of the trust attributable to the future interest of GFA was recorded in the statement of activities as temporarily restricted contributions in the period the trust was established. Assets held in the charitable remainder unitrust are recorded at fair market value in GFA's statement of financial position.

GOSPEL FOR ASIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE F – SPLIT-INTEREST AGREEMENTS

Charitable remainder unitrust agreement

On an annual basis, GFA revalues the liability to make distributions to the designated beneficiary based on actuarial assumptions. The present value for the estimated future payments is calculated using a discount rate of 7% and applicable mortality tables. Subsequent changes in fair value for the charitable remainder unitrust will be recorded as changes in the value of split-interest agreements in the temporarily restricted net assets class in the accompanying statement of activities.

Charitable annuity

GFA is the administrator of a charitable gift annuity that provides for the payment of distributions to the annuitant or other designated beneficiary over the designated beneficiary's lifetime. At the end of the annuity's term, the remaining assets are available for GFA's use. The portion of the annuity attributable to the future interest of GFA was recorded in the statement of activities as temporarily restricted contributions in the period the annuity was established. Assets held in the gift annuity are recorded at fair market value in GFA's statement of financial position. The present value for the estimated future payments was calculated using a discount rate of 6% based on applicable mortality tables creating a fixed annual payment of \$900 to the annuitant. Subsequent changes in fair value for the gift annuities will be recorded as changes in the value of split-interest agreements in the temporarily restricted net assets class in the accompanying statement of activities.

Revocable intents to give

GFA is the beneficiary of several revocable intents to give. The assets related to these revocable agreements and the corresponding liabilities for refundable advances are included in the statement of financial position at fair market value. These intents to give are revocable at any time by the donors, in whole or in part, with 30 days written notice to GFA.

NOTE G – DONATED SERVICES

No amounts have been reflected in the financial statements for donated services. GFA pays for most services requiring specific expertise. However, many individuals volunteer their time to perform a variety of tasks that assist GFA with its USA operations.

GOSPEL FOR ASIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE H – RELATED PARTY TRANSACTIONS

GFA made contributions to five related non-profit organizations: Gospel for Asia - India, Gospel for Asia - Nepal, Gospel for Asia - Myanmar, Gospel for Asia - Sri Lanka and Gospel for Asia - Bangladesh. The organizations are related through a common board member. The contribution amounts at December 31, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Gospel for Asia - India	\$58,542,900	\$45,592,657
Gospel for Asia - Nepal	856,213	881,349
Gospel for Asia - Myanmar	1,006,440	775,520
Gospel for Asia - Sri Lanka	304,650	364,100
Gospel for Asia - Bangladesh	<u>192,455</u>	<u>167,000</u>
	<u>\$60,902,658</u>	<u>\$47,780,626</u>

GFA paid approximately \$225,840 and \$280,852 on behalf of Gospel for Asia - United Kingdom, Gospel for Asia - Canada, Gospel for Asia - Germany, Gospel for Asia - New Zealand, Gospel for Asia - South Africa, Gospel for Asia - Australia and Gospel for Asia – Korea – Gospel for Asia - Finland during 2013 and 2012, respectively, to assist them in their operations. These amounts are not required to be repaid by the entities, but Gospel for Asia - Canada is reimbursing GFA for payments made on their behalf.

The Organization began establishing LLCs in 2009 primarily to facilitate the transfer of funds to the mission field. Each LLC has a separate bank account whereby funds are transferred from GFA and subsequently transferred from the LLC to the mission field. There were 12 of these LLCs as of December 31, 2013.

In August 2011, GFA transferred \$9,000,000 to GFA – India (an affiliate related through a common board member) in anticipation of earning more favorable interest rates than those of a domestic bank. These funds were temporarily restricted for the construction of a new home office. Accordingly, GFA recorded a receivable due from affiliate of \$9,000,000 at December 31, 2011. GFA collected the balance due in 2012.

NOTE I – FLEXIBLE BENEFITS PLAN

On January 1, 1994, GFA adopted a flexible benefits plan. The plan allows employees to use pre-tax payroll deductions to fund optional medical, cancer, intensive care, hospital indemnity and/or accident insurance, among others. An unreimbursed medical flexible spending account option was added on January 16, 2001. All staff are eligible to participate immediately upon joining the organization.

GOSPEL FOR ASIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE J – CONCENTRATION OF CREDIT RISK

GFA maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At December 31, 2013, GFA's bank balances exceeded federally insured limits by \$11,286,742. At December 31, 2012, GFA's bank balances did not exceed these federally insured limits. GFA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

During 2013, GFA received a temporarily restricted contribution from an anonymous donor in the amount of \$19,778,613 to be used for the construction of the new home office.

NOTE K – FUNCTIONAL EXPENSE ALLOCATION

Directly identifiable expenses are charged to program and support services. Expenses related to more than one function are charged to program and support services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

The functional expense allocation at December 31, 2013, is as follows:

Description	Total Expenses	Program Services	Management and General	Fund Raising
Accounting and legal	\$ 41,443	\$ -	\$ 41,443	\$ -
Automobile expense	22,779	-	22,779	-
Bank and credit card fees	615,456	-	615,456	-
Building expenses	249,916	85,121	105,115	59,680
Café	8,232	-	8,232	-
Depreciation	532,301	181,302	223,886	127,113
Equipment repairs	20,498	6,982	8,621	4,895
Health insurance	968,738	329,371	406,870	232,497
Membership fees	12,939	461	12,017	461
Ministry presentations	2,817,618	1,406,635	3,780	1,407,203
Field support	57,101,130	57,101,130	-	-
Office supplies and expense	404,011	134,597	175,046	94,368
Operating supplies	41,743	14,218	17,557	9,968
Other costs and expenses	226,486	-	226,486	-
Payroll taxes	19,228	6,549	8,087	4,592
Planned giving expenses	11,109	-	3,346	7,763
Postage and freight	1,366,509	482,334	347,291	536,884
Printing costs	1,055,283	421,916	52,283	581,084
Staff costs	3,267,052	1,108,214	1,381,787	777,051

GOSPEL FOR ASIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE K – FUNCTIONAL EXPENSE ALLOCATION

Description	Total Expenses	Program Services	Management and General	Fund Raising
Staff recruitment	\$ 1,213	\$ -	\$ 1,213	\$ -
Storage	6,098	2,077	2,565	1,456
Telephone	129,991	44,275	54,674	31,042
Training	20,291	8,262	4,098	7,931
Travel expense	325,380	240,515	9,064	75,801
	<u>\$ 69,265,444</u>	<u>\$ 61,573,959</u>	<u>\$ 3,731,696</u>	<u>\$ 3,959,789</u>

The functional expense allocation at December 31, 2012, is as follows:

Description	Total Expenses	Program Services	Management and General	Fund Raising
Accounting and legal	\$ 24,483	\$ -	\$ 24,483	\$ -
Automobile expense	16,974	-	16,974	-
Bank and credit card fees	499,524	-	499,524	-
Building expenses	249,299	82,269	108,295	58,735
Café	11,518	-	11,518	-
Depreciation	522,640	172,472	227,034	123,134
Equipment repairs	4,076	1,345	1,771	960
Health insurance	825,006	272,252	358,383	194,371
Membership fees	14,027	1,877	10,273	1,877
Ministry presentations	2,854,452	1,406,287	50,133	1,398,032
Field support	54,407,632	54,407,632	-	-
Office supplies and expense	483,504	159,441	210,232	113,831
Operating supplies	46,723	15,421	20,294	11,008
Other costs and expenses	147,819	-	147,819	-
Payroll taxes	12,220	4,033	5,308	2,879
Planned giving expenses	24,233	-	-	24,233
Postage and freight	1,679,357	589,129	415,761	674,467
Printing costs	1,244,458	524,089	46,643	673,726
Staff costs	3,115,588	1,025,365	1,358,174	732,049
Staff recruitment	2,917	-	2,917	-

GOSPEL FOR ASIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE K – FUNCTIONAL EXPENSE ALLOCATION

Description	Total Expenses	Program Services	Management and General	Fund Raising
Storage	\$ 15,279	\$ 5,042	\$ 6,637	\$ 3,600
Telephone	105,636	34,860	45,888	24,888
Training	12,200	5,377	1,805	5,018
Travel expense	241,339	165,838	10,856	64,645
	<u>\$ 66,560,904</u>	<u>\$ 58,872,729</u>	<u>\$ 3,580,722</u>	<u>\$ 4,107,453</u>

NOTE L – CONTRIBUTIONS RECEIVABLE AND ACCRUED FIELD SUPPORT

Subsequent to December 31, 2013 and 2012, a significant amount of contributions were received with a postmark date of December 31 or prior. It is GFA's policy to include such contributions as current year revenue. Due to a large amount of cash received subsequent to December 31, 2013 and 2012, with a postmark of December 31 or prior but not yet recorded as cash, a receivable in the amount of \$3,025,953 and \$3,133,527 has been recorded as of December 31, 2013 and 2012, respectively. Consequently, since these contributions are not included in cash until a few days after December 31, 2013 and 2012, the field portion of these amounts is included in the accrued field support balances of \$5,455,256 and \$10,085,807, as of December 31, 2013 and 2012, respectively. The accrued field support amount represents 2013 and 2012 revenue received that was not disbursed to the field on or before December 31, 2013 and 2012. No allowance for doubtful accounts is necessary at December 31, 2013 and 2012.

NOTE M – NOTE RECEIVABLE

In December 2010, GFA sold real estate located in Kingman, AZ, that had been received as a gift in kind contribution in July 2010. GFA received a note receivable in the amount of \$324,000 in conjunction with the sale with an annual interest rate of 8%. The term of the note is 5.5 years and matures in June 2016. GFA receives monthly payments of \$5,600 on the note. GFA recorded interest income of \$14,309 and \$18,564 related to this note receivable as of December 31, 2013 and 2012, respectively.

GOSPEL FOR ASIA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE N – CONSTRUCTION OF NEW HOME OFFICE

The Organization is constructing a new home office in East Texas. Land for the new office in the amount of \$1,104,398 is included in land, buildings and improvements at December 31, 2013 and 2012. Construction in progress costs totaling \$29,217,499 and \$5,015,495 are included in land, buildings and improvements at December 31, 2013 and 2012, respectively. Temporarily restricted net assets restricted to the new home office totaled \$7,301,819 and \$10,660,781 at December 31, 2013 and 2012.

NOTE O – SUBSEQUENT EVENTS

Subsequent to December 31, 2013, GFA incurred costs totaling approximately \$6,578,326 related to the construction of the new home office (Note N).

The Organization has evaluated and disclosed subsequent events up to and including June 13, 2014, which is the date the financial statements were approved and available for issuance.